



# c/o Life

Because our products make life easier for you and millions of people around the world. Because our resources and processes are a natural part of the global lifecycle. And because we care.

## Recognition



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



SCA was ranked as one of the world's most sustainable companies by the responsible business magazine Canadian Corporate Knights.



The insurance company, Folksam, compiles an annual index for responsible business practices. In 2009, SCA shared the top spot when the marks for the environment and human rights were combined.



SCA was honoured with the 2009 Finforum award by FAR SRS – an industry organisation for auditors and consultants – the Swedish Society of Financial Analysts SFF, the Swedish Public Relations Association and Irev. The commendation focused on SCA's expressed desire to contribute to sustainable development.



In 2008, SCA became a UN Global Compact member. SCA's 2008 Communication on Progress report was selected as representative of Best Practice by Global Compact.



SCA applies the Global Reporting Initiative (GRI) at A level in its sustainability reporting. The report was audited by PricewaterhouseCoopers.



SCA is included in the Dow Jones STOXX Sustainability Index and the Dow Jones Sustainability WORLD Index, which are two of the world's most prestigious sustainability indexes.



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



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 is included in Kempen SNS SRI Universe and was approved for inclusion in the Orange SeNSE Fund.



SCA is included in OMX GES Sustainability Nordic and OMX GES Sustainability Sweden, two indexes for responsible investments launched by Nasdaq OMX and GES Investment Services.



SIX STAR is a Nordic sustainability index launched in 2009 by SIX and the consultant Ethix. SCA is ranked among the top 25 Swedish companies.

## 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 NGOs. As of 2008, SCA is a signatory to the UN Global Compact. The sustainability report represents the Group's Communication on Progress, describing SCA's work to address the Global Compact's ten principles on human rights, working conditions, the envi-

ronment 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. The entire report has been reviewed by PricewaterhouseCoopers. All data in this report has been collected over the calendar year 2009, and covers the SCA Group, including wholly and majority-owned subsidiaries. For further information regarding the sustainability report and its reporting principles, see page 65.

## Contents

SCA at a glance	2
CEO message	2
<b>Sustainability strategy</b>	
Targets	4
Integrating sustainability into strategy	8
Governance	10
Ethics and core values	12
Stakeholder dialogue	13
Risk	18
<b>Environmental responsibility</b>	
Climate and energy	21
Forest	26
Water	31
Chemicals and product safety	33
<b>Social responsibility</b>	
SCA's Code of Conduct	35
Employee relations	38
Health and safety	41
Community involvement	44
<b>Economic responsibility</b>	
Shareholders	47
Stakeholders	51
<b>Control and assurance</b>	
RMS	55
Environmental data	57
Social data	64
About the report	65
GRI Index	66
Global Compact report	68
Assurance report	69
Glossary	71
Addresses	73

# 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 100 countries.

Share of Group net sales

**23%**

Share of Group operating profit

**32%**

## Personal Care

Sales in some 100 countries worldwide. The business area comprises three product segments: incontinence care, baby diapers and feminine care. Production is carried out at 23 plants in 20 countries.

### MARKET POSITION

Products	Europe	North America	Global
	Incontinence care	1	3
Baby diapers	3	-	4
Feminine care	3	-	5

Share of Group net sales

**37%**

Share of Group operating profit

**39%**

## Tissue

Sales in some 80 countries worldwide. Tissue consists of toilet and kitchen paper, facial tissue, handkerchiefs and napkins. Production is carried out at 36 facilities in 18 countries.

### MARKET POSITION

Products	Europe	North America	Global
	Consumer tissue	1	-
Away From Home Tissue - AFH	1	3	3

Europe (including Africa)	2009	2008	Employee age distribution
Sales, SEKm	84,414	87,055	% 50
Employees	34,084	36,182	40
Women, %	24	25	30
Salaries, SEKm	13,544	12,504	20
Social security costs, SEKm	4,055	3,471	10
			0

Americas	2009	2008	Employee age distribution
Sales, SEKm	15,936	14,593	% 50
Employees	7,701	7,726	40
Women, %	30	37	30
Salaries, SEKm	1,994	1,672	20
Social security costs, SEKm	650	488	10
			0

Share of Group net sales **25%**

Share of Group operating profit **4%**

### Packaging

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

Share of Group net sales **15%**

Share of Group operating profit **25%**

### 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 3 countries.

Asia Pacific	2009	2008	Employee age distribution
Sales, SEKm	10,506	8,802	% 50
Employees	7,746	8,091	40
Women, %	39	42	30
Salaries, SEKm	1,058	967	20
Social security costs, SEKm	169	115	10
			0

SCA Group total	2009	2008	Employee age distribution
Sales, SEKm	110,857	110,449	% 50
Operating profit, SEKm	8,190	8,554	40
Operating profit, SEKm <sup>1)</sup>	9,648	8,554	30
Earnings per share, SEK	6.78	7.94	20
Earnings per share, SEK <sup>1)</sup>	8.32	7.94	10
Employees	49,531	51,999	0
Women, %	27	29	0-20 21-30 31-40 41-50 51-60 60+
Salaries, SEKm	16,596	15,142	
Social security costs, SEKm	4,874	4,074	

<sup>1)</sup> Excluding items affecting comparability.  
See page 47 for more key figures.



# Highlights 2009

- Decision to invest in a new lime kiln that will significantly reduce carbon emissions at Östrand pulp mill. Page 23.
- One of SCA's two water targets was achieved a year early. Page 31.
- All European paper and pulp mills were fitted with biological water treatment units. Page 32.
- Deliveries of FSC-certified paper increased 45%. Page 26.
- Evaluation of business ethics in Russia. Page 35.
- Reporting system for non-compliance with the Code of Conduct established in Asia. Page 36.





# The business community must take the lead

Over the past number of years, it has become evident that the issue of sustainability has taken on a new guise. It is no longer a matter of legislation or image, or indeed can it be reduced to emissions or resources. Sustainability issues cannot be treated separately; they are now the hub from which the future development of our society – and our world – will emanate.



For us in the business community, this is a dimension that we must seriously consider and one that will require entirely new questions and new answers. Ultimately, it is about ensuring the relevance of our companies in tomorrow's society.

Sustainability is very much a global issue and influences all aspects of enterprise, from capital to employees, customers and suppliers. SCA is a global company with operations in about 100 countries and our business has a broad interface with all types of stakeholders.

During the year, we received acknowledgement that these stakeholders appreciate our way of working with sustainability. Environmental and social parameters are becoming increasingly important to our shareholders and we can see that the proportion of shareholders with a marked sustainability profile is growing.

The year 2009 has been a difficult period distinguished by the recession and financial crisis. In this harsh competitive environment, SCA has secured more customers and contracts through our pronounced and transparent sustainability strategy. Young co-workers choose to work at SCA for the same reasons.

Climate change has established itself at the top of the environmental agenda in recent years – a situation that will remain for the foreseeable future, since it ultimately involves our survival. The business community holds a number of keys that can help resolve the issue, which is especially relevant at a time when the governments of the world are finding it difficult to agree upon common targets.

The key role of the business community was also highlighted by Professor Jeffrey Sachs from Columbia University in the US, one of the world's most influential economists, in connection with a water seminar in November arranged by the Swedish-American



Chamber of Commerce in New York, which was attended by SCA. In this speech, Sachs explained that he has placed his hope in the business community and the ability of companies to implement change in the environmental area.

The challenge is to discover new solutions and promote the right behaviour. For example, a sign of the times is the doubt that has been thrown on the concept of Gross Domestic Product, GDP, since this does not take into account the cost of growth on the environment. The EU and OECD are working on the development of alternative measurement methods, such as the Genuine Progress Indicator, GPI, which takes emissions and environmental impact into consideration.

For SCA, sustainability involves viewing our business from a global perspective and being prepared to rethink deep-rooted beliefs and methods of approach. Are we using the appropriate technology? How can we minimise the products' environmental impact? Can we find new ways to distribute our goods?

One example of innovation is ESAVE, SCA's Group-wide programme to reduce energy usage and environmental footprint. By involving employees in the work since the project's inception in 2003, approximately 900 small-scale projects have been executed, resulting in significant reductions in energy consumption and carbon emissions.

New solutions also involve understanding the external environment and its requirements. In this respect, environmental associations and NGOs play an important role as examiners and opinion makers. The dialogue is not always free from criticism, but necessary. By confronting and addressing criticism, we broaden our outlook and the basis for our decisions and gain greater knowledge.

Deforestation in the world is one of the greatest contributing factors to climate change, but the forest's significance in solving the problem has been overlooked. Trees are unique insofar as they are renewable and absorb carbon dioxide. The growth in SCA's well-managed forests exceeds harvesting, which means that they absorb 2.6 million tonnes of carbon dioxide net on an annual basis. This almost corresponds to the carbon emissions from SCA's entire production. If all the forests in the world were managed in an equally responsible manner, we would be a large step closer to resolving the climate issue.

Jan Johansson, President and CEO

# Target 1. Carbon dioxide from fossil fuels shall be reduced by 20%

Since 2001, SCA has worked actively to reduce emissions from fossil fuels. In 2008, SCA further raised its ambition and introduced a new quantified CO<sub>2</sub> target that requires the Group to reduce emissions from fossil fuels by 20% by the year 2020, using 2005 as a reference year.

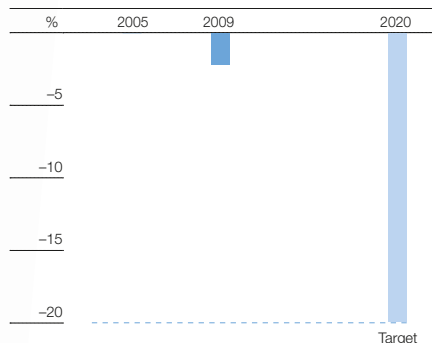


## SCA's CO<sub>2</sub> target

SCA will reduce its carbon emissions from fossil fuels and from the purchase of electricity and heat, relative to the production level, by 20% by the year 2020, using 2005 as a reference year.

## Results in 2009

At year-end 2009, carbon emissions had declined by 2.2% relative to the production level.



## Activities in 2009

SCA continued its focused efforts to strengthen the Group's climate work and reduce carbon emissions.

- SCA decided to invest SEK 500m in a new lime kiln at the Östrand pulp mill in Sweden. The investment will dramatically reduce Östrand's carbon emissions from fossil fuels.
- SCA's extensive investments in wind power, made in cooperation with the Norwegian energy company Statkraft, proceeded.
- The Group invested heavily in the paper mill in Laakirchen, Austria. The investment will entail significant reductions in carbon emissions from the plant.
- Investments in new technology for mechanical pulp production in the Ortviken paper mill in Sweden will reduce the electricity needed per tonne pulp by 10%.
- A large number of ESAVE projects have further reduced carbon emissions and saved electricity.

## Driving forces

The climate issue is one of most critical environmental and social issues facing the world today. Background factors include the following:

- According to the UN's Intergovernmental Panel on Climate Change, the earth's average sea and surface temperatures continue to rise. This increase is attributed to emissions of greenhouse gases resulting from human activities.
- Trading in emission rights has been introduced in the EU and, in New Zealand, a similar system is being planned.
- In the 1997 Kyoto Protocol, an international agreement aimed at reducing global emissions of greenhouse gases was reached.



## Target 2. 100% control of fresh-fibre raw materials

SCA is Europe's largest private owner of forestland and the Group's own forests have been certified in accordance with the FSC, Forest Stewardship Council, since 1999. SCA also purchases large quantities of fresh-fibre raw materials from external suppliers. SCA attaches great importance to the responsible use of wood raw material in its operations and has far-reaching programmes to ensure that no wood fibre used in SCA's facilities derives from controversial sources.

### SCA's target for responsible use of wood raw material

SCA will employ methods that ensure that no wood fibre or fresh fibre-based material comes from controversial sources. The target also includes purchased fibre in the form of pulp and containerboard.

### Results in 2009

- All deliveries of pulp to SCA's facilities comply with the Group target.
- All of SCA's wood-consuming units are reviewed by independent auditors to meet the requirements of the Group target.
- Today, SCA Packaging Europe has control of the origin of 85% of the fresh fibre used by the company. The ambition is to fully comply with the Group target regarding the control and use of fresh-fibre raw materials by 2011.

#### Controversial sources are defined as:

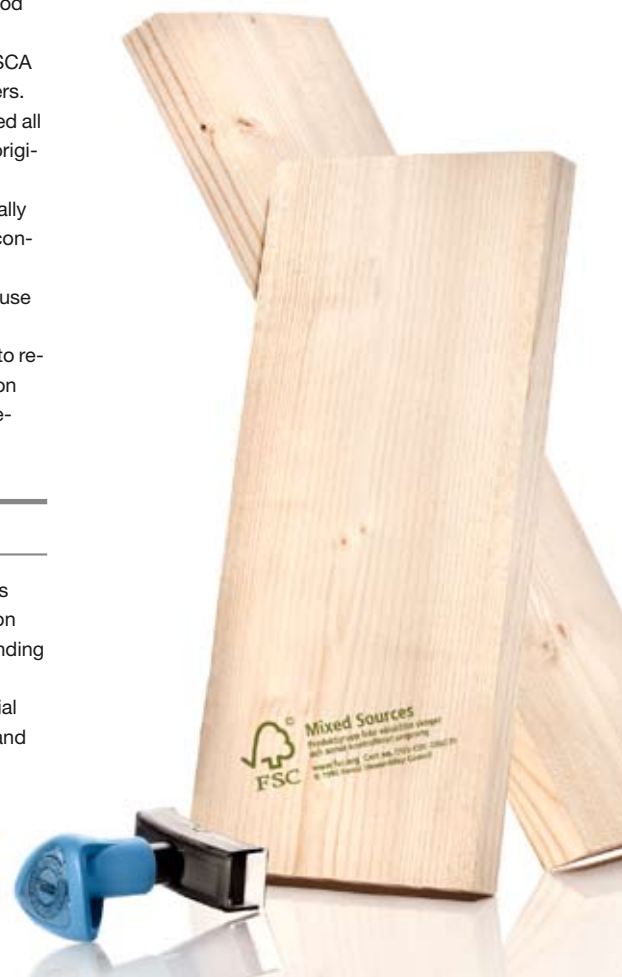
- Illegally logged timber.
- Timber from forests with a high conservation value.
- Timber from areas where human rights or traditional rights of indigenous people are being violated.

### Activities in 2009

- In 2009, SCA Tissue Europe implemented a new system for supplier screening that even further strengthens the Group's efforts to achieve its target of responsible use of wood raw materials.
- Based on its updated Supplier standard, SCA Personal Care reviewed all its pulp suppliers.
- SCA in Australia and New Zealand reviewed all suppliers to guarantee that no fresh fibre originated from controversial sources.
- SCA Packaging Europe resolved to gradually introduce stricter controls of suppliers of containerboard in 2010, with the aim of fully achieving the Group target of responsible use of wood raw materials in 2011.
- Comprehensive programme of measures to resolve the shortcomings noted in connection with the FSC audit of SCA's forest management in autumn 2009.

### Driving forces

- Forests cover about one third of the earth's land surface. Each 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.



# 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 continuously introduces new technology to clean and recycle water. In this manner, water quality in the neighbouring environments is also improved.

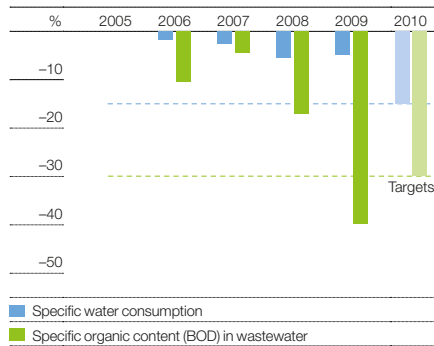


## SCA's water target

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

## Results in 2009

By year-end 2009, specific water consumption had decreased by 4.9% and organic content of wastewater (BOD) by 40.0% compared with the reference year 2005.



## Activities in 2009

- A new biological treatment plant for wastewater was installed at the Munksund mill.
- The Group continued to implement programmes to reduce water consumption at the facility in Box Hill, Australia.
- The paper mill in Valls, Spain, continued to reduce its water consumption.
- The Group improved the control of nutrient salts at several of its plants to optimise the performance of the biological treatment process.

## Driving forces

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

- Within the EU, a shortage of high-quality water has 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.
- Today, parts of the world are experiencing a decline in the availability of fresh water. This places more stringent demands on industrial plants to reuse water.
- 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 about 50,000 employees worldwide. This places stricter demands on the company's social and environmental responsibility. SCA's Code of Conduct applies to all employees at all locations worldwide.

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## SCA's target for Code of Conduct compliance

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

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## Results and activities in 2009

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- Business Practice Reviews were conducted at four units in Russia.
- Trial of a whistleblower system for Code of Conduct violations in China and Southeast Asia.
- Development of a new global leadership platform that will form the basis of the Group's organisational and talent review.
- Development of a global performance management review system that will provide a clearer link between the individual's performance and achievement of SCA's business targets.

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## Driving forces

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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 to promote 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.
- The demands imposed on corporate social responsibility are increasing. In 2001, discussions began regarding an international standard for social responsibility and, in 2005, work started on the ISO 26000 standard which is due to be completed in mid-2010. The standard comprises guidelines and principles for how companies are to meet these demands.



# Integrating sustainability into strategy

Sustainability is an integral part of SCA operations and the company's strategy for growth and value creation. Sustainability activities enhance competitiveness and reduce costs and the risk level.

## Strategy's building blocks

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

## 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 require a methodical approach. At the end of the 1990s, SCA developed its Group-wide Resource Management System (RMS) – a database that contains detailed information on resource utilisation and environmental data.

SCA's process for supplier assessments dates many years back. For example, SCA Personal Care Europe has evaluated suppliers since the middle of the 1990s. Over time, the work has been developed and systemised. The business group's systematic approach to supplier assessments is also in the process of being transferred to other business groups.

Since 2005, the Group conducts human rights assessments at its production sites to ensure compliance with aspects such as occupational health and safety. However, supplier assessments had been in practice at the Group prior to this date. In 2008, a new method was introduced to evaluate business ethics – Business Practice Reviews.

## Transparency

SCA is committed to openness with respect to the company's environmental and social activities, challenges and ambitions. SCA was one of the pioneers when it published an environmental report for the first time in 1998. The Group seeks to engage in dialogue with various stakeholders to develop world-class working methods.

## Integration with business operations

SCA's 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. From 2009, the Group's calculations include the effects of all investments on environmental targets.

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

In the due diligence process performed in conjunction with acquisitions, SCA conducts a risk assessment to highlight potential business practice issues. This risk assessment includes an estimate of possible costs for the introduction of health and safety measures into the workplace, overtime compensation, work insurance cover and so forth that are required for the company to comply with SCA standards.

## Innovation

Innovation is fundamental to SCA's strategy and drives sales, builds customer loyalty and creates value. Innovation is based on customer and consumer insight and the ability to understand the issues that are important to stakeholders. The aspects of sustainability and product safety remain a priority for customer and consumers and are thus a significant component of product development.

For example, at the paper mill in Laakirchen, Austria, SCA has developed a quality magazine paper with a high proportion of recovered paper – a product in demand from customers.

Within tissue operations in 2009, Edet launched a toilet paper and kitchen roll manufactured from 100% recovered fibre with bioplastic packaging based on maize.

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

Superabsorbent materials and improved fit have made Libero, Libresse and Tena diapers, pads and incontinence products thinner, drier, more comfortable and better for the environment. The fact that current products actually have less of an impact on the environment than older products has also been verified by an independent party (see page 25).



### Holistic approach to build value

The various aspects of SCA's sustainability initiatives combine to make a positive contribution to business operations.

- **Strengthened competitiveness:** Competitiveness is strengthened by being far advanced in terms of sustainability. This has been particularly evident in recent years when a number of customers have stated environmental considerations as the reason they chose SCA as a supplier. In the recent recession, SCA has also noted that volumes of several products with an environmental profile have remained constant or have even risen in a declining market.
- **Reduced costs:** Environmental activities, more efficient production and reduced costs often go hand-in-hand. Investments in green electricity, the 900 small-scale ESAVE energy-saving projects, co-generation projects and wind power projects are not only beneficial for the environment – they also save money.
- **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. SCA's strong sustainability agenda is clearly attracting the top talents who are necessary to keep SCA successful. The Group works actively with programmes aimed at employee development.
- **Attract investors:** Ethical investors are an increasingly important group in the financial market. Sustainability activities are significant for SCA shares to qualify for inclusion in various investor indices and funds. The proportion of SCA investors with sustainability criteria has increased steadily in recent years. A growing number of "traditional" investors are also becoming more interested in certain ESG (Environment, Social, Governance) factors when preparing valuations of companies.
- **Reduced risk level:** SCA's global expansion means that the company is faced with new challenges and problems that were not an issue in the past. Activities that play an important role in this area include reviews of human rights, occupational health and safety and business ethics, in addition to assessments of the company's environmental performance in connection with acquisitions through the RMS system. These activities reduce the likelihood of negative surprises in the environmental and social area – a factor that is becoming increasingly significant.
- **Strong brand:** SCA's tradition of applying a strategic approach to sustainability has made it into one of the strongest parameters of the SCA brand. Sustainability is one of the three supporting pillars of SCA's brand platform.



# Sustainable governance

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 diverse outside interests.

## External and internal framework

The external body of regulations for corporate governance consists of a number of laws, including the Swedish Companies Act, Swedish accounting legislation and international accounting rules. The Group also has a developed set of regulations for issuing information. In addition to formal legislation, the Swedish Code of Corporate Governance and the stock exchange's rules and regulations apply.

The internal body of regulations for corporate governance consists of a number of governing documents, including the formal work plan for the

Board and the terms of reference for the President, the financial policy, communication policy, payment authorisation and payment instructions, and the company's Code of Conduct.

## Controlling and monitoring

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

SCA's own control systems include segregation of duties in critical processes and defined management responsibilities with regard 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 control. SCA's Internal Audit organisation 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 General 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 of several key tasks for the AGM is to appoint the company's Board. The AGM also adopts guidelines for remuneration to the President and senior executives. The company's auditors examine compliance with these guidelines. Detailed information about SCA's AGMs and Nomination Committee is available at [www.sca.com](http://www.sca.com)

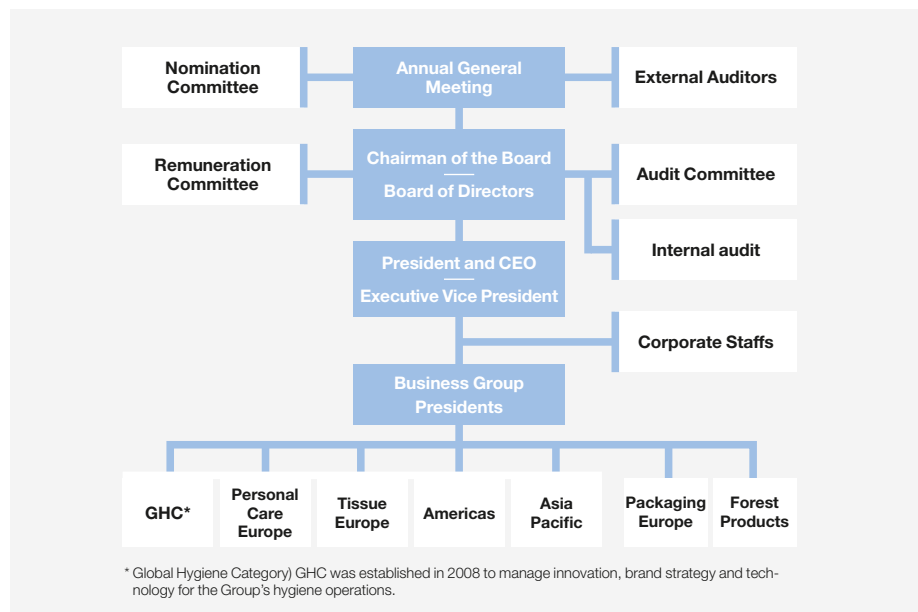
## Board of Directors and President

The Board bears the overall responsibility for the organisation 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 decisions being made. The Board has a Remuneration Committee and an Audit Committee.

## Governance of sustainability work

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

## Corporate Governance at SCA



The Environmental Committee and the Corporate Social Responsibility Committee report to Group 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 follow up the progress of the Group's environmental and social programmes.

Responsibility for implementation rests with the operational organisation. A number of environmental networks and corporate social responsibility task forces work horizontally across SCA's different business groups 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 their own relevant targets and action programmes within the framework of the Sustainability Policy and the targets set by Executive Management.

At the beginning of 2010, SCA decided to add a new staff function responsible for sustainability, headed by a Senior Vice President Sustainability, who will report to the CEO.

#### Environmental governance

**Water management network:** The network analyses the impact of the EU's Water Framework Directive on SCA's operations. It also establishes the Group's future aspiration level for reductions in emissions and water usage.

**FSC network:** The network's responsibility is to disseminate information on the subject throughout the organisation, and to coordinate the Group's position and activities in relation to FSC.

**RMS network:** Responsible for compiling information and making calculations and presentations relating to the use of resources and environmental data.

**Chemicals network:** Coordinates issues concerning the Group's online chemicals management system and implementation of REACH (see page 33).

Other Group-wide networks with a distinct connection to SCA's environment work include:

**ESAVE network:** Coordinates the Group's approximately 900 projects that aim to reduce SCA's energy consumption and environmental impact.

**Energy network:** Supported by the Group's strength, size and extensive energy consumption, the network focuses on identifying cost-efficient solutions and synergies, and reinforcing the Group's energy sourcing power. Emissions trading is another important area.

#### Governance of social responsibility

In 2009, SCA introduced a new organisation for the governance of issues contained in the area of corporate social responsibility. The strategy work is guided by a global Human Resources Management Team and issues are pursued by a CSR reference group. The reference group includes representatives from all business areas.

Responsibility for implementing the strategy rests with a number of task forces that are divided up in the areas of *Health and Safety*, *Employee relations*, *Business ethics*, *Human rights*, *Community relations*, and *Communication and Data Privacy*. The task forces propose issues of focus for SCA within each of their respective areas, and are responsible for the implementation of these.

In addition to the above task forces, SCA has a group responsible for GRI reporting.

#### Corporate governance report

The complete Corporate Governance Report is available on SCA's website [www.sca.com](http://www.sca.com) and in the 2009 Annual Report.

## SCA's sustainability governance



# Ethics and core values

SCA's undertakings are based on its core values **Respect, Excellence and Responsibility**. Using these 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 for millions of people. SCA's aim is to continuously 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 conducts 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. The SCA Code of Conduct will be reviewed in 2010. 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.

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.

## 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.

**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 the Group's organisation employs about 50,000 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 the Group operates and is available in 19 languages at [www.sca.com](http://www.sca.com)



# Are we doing the right things?

SCA continuously strives to improve dialogue with its stakeholders. The Group has daily contact with customers, consumers, suppliers, investors, NGOs and official bodies and is receptive to their expectations and objections. In this manner, the Group gains an understanding of the diverse markets in which it conducts operations and of the expectations of stakeholders on the Group.

This dialogue is primarily conducted in the business groups, since they have contact with customers, consumers, suppliers, local authorities and NGOs. However, dialogue with investors and

international NGOs, the EU, etc. takes place at Group level.

During the year, interest from customers and consumers in sustainability matters remained

strong, resulting in a number of products and campaigns focused on sustainability (p. 49–50). Many of the issues initiated by stakeholders are addressed in this report.

Stakeholder group	2009 activities	Key areas	How we address the issues (page)
Customers	Customer surveys Seminars	Carbon footprint Ecolabelling Human rights compliance Fibre sourcing	CO <sub>2</sub> target (21) Sourcing target (26) Nordic Ecolabelling on diapers and tissue (50) Human rights assessments (36) Code of Conduct implementation in joint ventures (36) Joint mapping of customer carbon footprints (14) FSC certification (26–27)
Consumers	Consumer surveys Consumer research	Products' impact on the environment, i.e. carbon footprint, ecolabelling	LCAs (24) Nordic Ecolabelling on diapers and tissue (50) Eco actions (14, 50) Reforestation project (30) Chemical management (33) Product safety (33)
Employees	Employee surveys Group sustainability survey Training	Talent management Performance management Workforce planning Compensation and benefits Corruption Training	Diversity survey (39) Employee surveys (40) Job portal (38) Anticorruption policy training (37) Whistleblower pilot (36) Code of Conduct training (35) New global performance management review system and leadership platform (38–39)
Investors	SRI questionnaires One-on-one meetings Telebriefings Analyst interviews Roadshows Field visits	Integration of sustainability/business strategy Energy efficiency Risk management Reputation	CO <sub>2</sub> target (21) ESAVE (22) Risk analysis (18) Business Practice Reviews (35) Inclusion in sustainability funds and indexes (49) Lectures (14)
Suppliers	Supplier audits Supplier questionnaires	Raw material sourcing	Sourcing target (26) Supplier guidelines (37) Supply chain assurance (28, 37)
NGOs	Ongoing dialogue	Forest management CO <sub>2</sub> emissions Energy utilisation Water supply	Nature conservation (26) Dialogue and/or partnership with NGOs, such as WWF and the Society for Nature Conservation in Sweden
Society	Participation in industry initiatives and standardisation bodies Ongoing dialogue Community involvement	SCA's dialogue with society Community involvement	Dialogue with Sami communities, municipalities, etc. (14) Membership in organisations (14) Activities to break taboos surrounding incontinence (44) Involvement in caregiver, continence and patient organisations (15)

## A selection of SCA's stakeholder dialogues in 2009

### Customers

Each year, TENA, SCA's global incontinence brand, conducts a customer satisfaction survey in which it asks its customers a number of questions. The questions concern customer service and how customers perceive the offering, and the responses are used in the ongoing improvement work.

Another example of customer dialogue involves Tork, SCA's AFH brand. Each year, Tork conducts a customer satisfaction survey in one or two regions in Europe focusing on how they perceive SCA as a supplier in relation to the following parameters: satisfaction, attractiveness and loyalty. In 2009, surveys were performed in the Benelux countries, Norway and Denmark.

SCA Timber offers its customers in the UK a Simple Carbon Aggregator to help reduce their carbon emissions, waste and costs. Using this tool, customers can easily calculate their carbon output and increase their resource efficiency.

### Consumers

During the year, Libero and Libresse – SCA's European brands for diapers and feminine care, respectively – launched Eco Actions on [www.libero.com](http://www.libero.com) and [www.libresse.com](http://www.libresse.com). Consumer input was included via a survey of 15,000 parents of small children and their thoughts and attitudes toward environmental issues. Eco Actions is one way of communicating SCA's environmental work and provides consumers with everyday tips on how they can act in an eco-smart way.

### Investors

SCA carried out a number of in-depth interviews with traditional analysts, ethics analysts and credit analysts to obtain a picture of what they believe are the most important sustainability factors to take into account when valuing a company. Read extracts from the interviews on page 15–16.

In Sweden, the Swedish Society of Financial Analysts arranged a course for the first time for financial analysts under the theme "Integrating CSR in traditional company valuations." SCA was invited to lecture on the subject "Integrating ESG (Environment, Social, Governance) in strategy."

### Employees

During the year, SCA conducted a Group-wide survey to find out how employees perceived SCA's sustainability work and what they believe needs to be changed. Some 343 individuals participated in the survey and the majority were of the opinion that SCA is a sustainable company (average 4 of a maximum of 5). Slightly more than 92% believed that SCA's environmental work is important or very important for business and nearly the same number (86%) were of the same opinion with respect to the Group's social work. The majority believed that environmental awareness drives customer demand (4/5), while the respondents were more doubtful concerning whether customers are prepared to pay more for sustainable products (3/5).

In the development of the brand platform for the Group, some 100 employees were involved through workshops and other activities. Sustainability comprises one of the three legs of the new platform.

In early 2009, SCA Hygiene Australasia conducted a sustainability survey among employees. It also examined satisfaction among the management team. During the second half of the year, employees in Australia received equality training.

### Stakeholder organisations

In conjunction with the Climate Change Conference in Copenhagen, COP 15, SCA was asked to participate in the UN's Seal the Deal campaign together with 24 other selected companies. A documentary about SCA's sustainability work was produced and broadcast on the TV channels CNBC Europe and CNBC Asia, and in the UN's exhibition stand during the Copenhagen meeting.

During COP 15, SCA and 800 other companies signed The Copenhagen Communiqué, which was an initiative of the University of Cambridge. The Group also participated in the WWF Climate Business Action day and in a seminar arranged by the World Business Council for Sustainable Development (WBCSD).

SCA Hygiene Australasia holds regular discussions with AFGC (Australian Food and Grocery Council), A3P (Australian Paper Industry) and AIG (Australian Industry Group). During the year, discussions were also conducted with WWF concerning the origin of fresh fibre raw materials.

### Society

Two rounds of consultation talks were conducted as part of the process relating to SCA's and Statkraft's major wind-power project in northern Sweden. As a result of these, SCA has gathered questions and thoughts from concerned authorities, parties and the public. The business community in both of the counties affected have shown considerable interest in the projects, with one line of reasoning being the need and opportunity for local companies to conduct favourable business. Matters discussed included the impact on reindeer herding and birds of prey, electricity mains connection and road improvements. You can find more information about the dialogue with the same communities on page 21.

SCA is a member of a large number of associations that discuss issues linked to the Group's business: SCA currently holds the Presidency of EUROPEN (The European Organization for Packaging and the Environment) and is a representative in ECR (Efficient Consumer Research). EUROPEN and ECR Europe have jointly developed a guide, published in 2009, for corporate decision makers called "Packaging in the Sustainability Agenda". Following on from this development, a Global Packaging Project has been launched that aims to compile a set of sustainability metrics and indicators for packaging. SCA Packaging Europe is actively participating in the project.

Other examples are CEPI (Confederation of European Paper Industries) through national associations including the Swedish Forest Industries Federation, FSC International and the Swedish branch of FSC, EDANA (European Disposables and Nonwovens Association), ETS (European Tissue Symposium), CITPA (International Confederation of Paper and Board Converters in Europe), FEFCO (European Federation of Corrugated Board Manufacturers) and IWA (International Water Association). SCA is also active through the appropriate trade associations in standardisation activities in ISO (International Organization for Standardization), and CEN (European Committee for Standardization).

## Dialogue with stakeholders increases quality of life and reduces costs

Is it possible to create a better quality of life for people suffering from incontinence and simultaneously improve quality for the staff of nursing homes while also reducing costs? According to surveys conducted by Tena in nursing homes, the answer is yes.

Experience shows that incontinence products only represent about 1% of the total cost of a nursing home, while other related problems, such as skin rashes, account for a significantly higher proportion of costs. Tena's method for supporting customers in incontinence issues includes actively working with stakeholders at a minimum of four levels and supplying more than just incontinence products.

- **Owners of nursing homes** – nursing homes are usually owned or financed by the state and are integrated in the local authorities' healthcare systems. Tena can demonstrate that high-quality incontinence products used in the appropriate manner can generate considerable efficiency enhancements.

- **Directors of nursing homes** – directors are often under significant pressure to provide the most efficient care possible. Tena establishes a partnership with management and shows how it is possible to work with incontinence issues in a structured manner, while reducing costs.

- **Staff** – care for the elderly in nursing homes requires skilled and motivated staff. Tena works together with personnel and trains them to work with incontinence in a proactive and systematic manner, which reduces stress and releases time for other activities.

- **Care recipients** – incontinence problems greatly affect the quality of life of nursing home residents and their relatives. With Tena, care recipients receive better and more effective care, which adds to their sense of well-being.

Aside from its involvement in nursing homes throughout the world, Tena has a large network of dialogue partners who represent key stakeholders at a national and international level. This includes decision-makers, legislators and purchasers in local healthcare systems, medical expertise, patients and care provider associations.

During 2009, two studies were carried out aimed at measuring the overall effects of Tena's offering among customers. One of the studies encompassed four nursing homes in the Municipality of Copenhagen and the other focused on a nursing home in the UK. Both studies demonstrated positive effects in terms of the quality of life of care recipients and of the employees' work situation, in addition to significant cost reductions.

## Stakeholder comments

### Gabriela Grab Hartmann, Senior Equity Analyst, SAM

"Your company is included in the Dow Jones Sustainability Indexes, which indicates that SCA is among the leading companies in its sector. SCA scored well above average and was not far from the best companies.

"SCA has improved considerably in the past two years, it has become more transparent and communication with the various stakeholders is much better. Communication is also more focused on the most important issues, which is very positive and an important part of our assessment.

"The environmental performance, measured using a number of KPIs has been improved and is one of the strengths of SCA. Innovation management and talent attraction are two areas that have some potential for improvement and represent

highly relevant areas for your sector, with a clear link to competitiveness."

(SCA is one of only four Swedish companies included in the Dow Jones STOXX Sustainability Index and Dow Jones Sustainability WORLD Index.)

### Anita Lindberg, SRI analyst at Robur

"I have always had a positive impression of SCA. As long as I have been in the industry, the company has applied a Group-wide approach to the environment and has always had a structure in place in the form of RMS. My perception is that the sustainability work has been business-driven and not part of a separate operation, which I regard as a fundamental requirement in an industry with such major risks and opportunities.

"SCA's sustainability report has steadily improved over the years. In the past, it mainly

featured a large number of case studies and this made it difficult to gain an understanding of the company's overall strategy and approach. Now it contains more general descriptions of how the company functions as a whole. It is obvious that the report is based on a stakeholder dialogue and this enhances its structure.

"In recent years, SCA has focused less on the forest, which has blurred the perception of SCA given the importance of forest matters in terms of the environment. Nature conservation in forest management is also a key dimension from a stakeholder perspective (the environmental movement, customers) and it is important for SCA's image and competitiveness that the company deals firmly with the shortcomings identified during the year."

### Sustainability factors in a conventional analysis

A few years ago, the equity research firm Cheuvreux discovered a new market niche – investors with sustainability criteria. Armed with this knowledge, Cheuvreux started to integrate conventional analysis with sustainability criteria.

At the beginning, Cheuvreux appointed an internal group of SRI analysts (Socially Responsible Investment) who worked as a separate unit, but are now an integrated part of the analysis operation.

Mikael Jåfs is employed as a pulp and paper analyst at Cheuvreux. In his analyses, he is required to enter a number of environmental, social and corporate governance factors.

“It is important not to assess a company from a purely narrow financial perspective,” says Mikael Jåfs. “By including sustainability factors, I can gain a clearer picture of the individual company.”

Mikael Jåfs has a feeling that SCA is better at sustainability and that the area has a higher internal status within the company than many other companies. However, he believes that this is not always sufficiently clear in the company’s communication.”

“If correctly utilised, effective sustainability work should have the potential to improve profitability. The next step is to prove that SCA can earn a profit from this work and show the link to reduced costs and financial gain.”

The indicators in the sustainability field that Mikael Jåfs believes are most important to SCA include:

- FSC certification of its own forest holdings and traceability to ensure no use of wood raw materials from controversial sources.
- Carbon emissions.
- Accident statistics and absence due to illness.

Water is an area that currently has a low priority, but Mikael Jåfs believes that this will change in the future. Other factors that have always been highly important, even in more conventional analyses, include corporate governance and management issues.

### C/O LIFE – BECAUSE WE CARE

In 2009, SCA developed a Group brand platform that aims to describe SCA’s unique personality and focus, as well as the relationship between the Group brand and the product brands. The brand platform shall support the Group’s business strategy and also function as a resource for the individual business groups.

In order to include all aspects of the Group’s operations and employer perspectives, the brand-platform development process required a high degree of involvement from all parts of the Group.

To determine the attitude of employees, all business groups arranged workshops that included representatives from sales, marketing,

communications and HR. In addition, interviews were conducted with selected individuals representing various parts of the organisation.

The results showed that the perception of SCA and what it represented were surprisingly homogeneous, as was the view of what a strong SCA brand can contribute. Based on the opinions of employees and management, the new brand platform and communications concept were formulated and given the name *c/o life*. *Life* alludes to people and nature, while *c/o* is ambiguous, since it means care of, at the same time as it relates to a person who lives in another’s house, indicating that SCA is part of

something much bigger, for which the company assumes responsibility.

The *c/o life* concept was tested in the UK, the US, Germany, China, Sweden and Mexico with positive results. About 100 people participated in Internet panels in each country. According to a majority of respondents, *c/o life* signals that the company is trustworthy and cares about the environment.

*c/o Life*



## Materiality analysis

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 such governing documents as the Global Reporting Initiative, Global Compact and SCA's Code of Conduct. A total of 367 customers, suppliers, investors, media, NGOs and SCA employees participated in the study.

In the study, respondents were asked to assess the importance of various sustainability issues. The participants were divided into external

and internal stakeholders and their responses were weighted and submitted for materiality analysis. The majority of respondents consisted of SCA employees, which makes the data input for internal stakeholders better statistically understood than for external stakeholders.

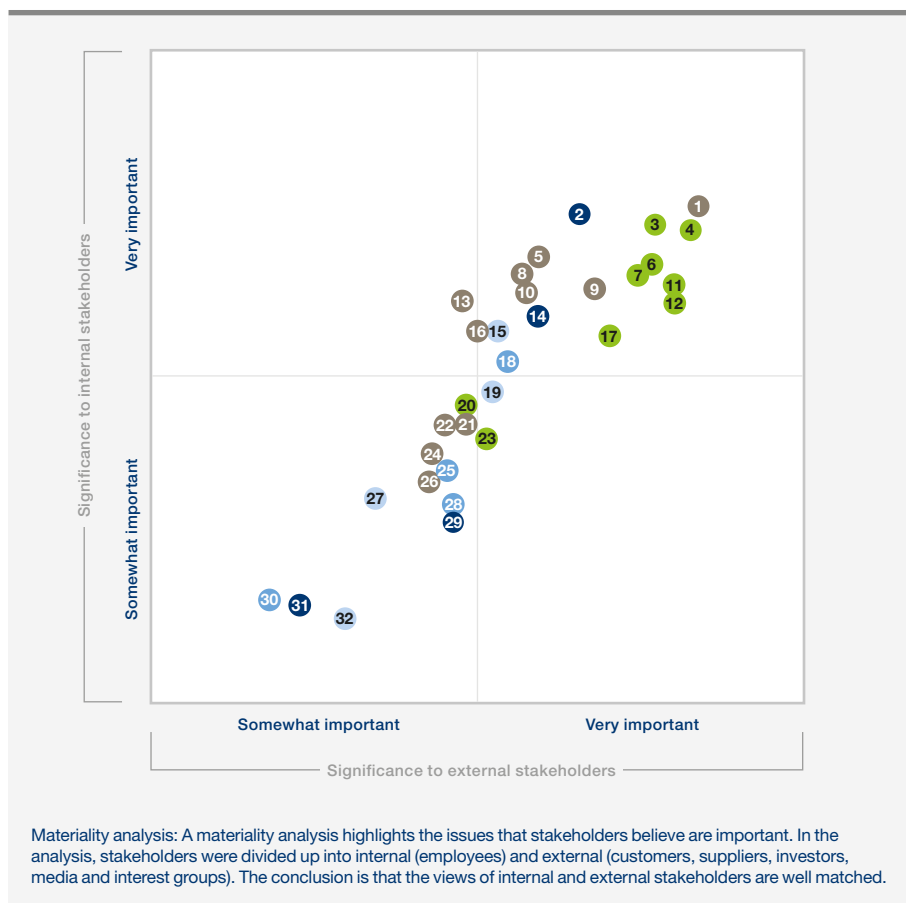
The results showed that external and internal interests are closely correlated. Questions regarding human rights were the most highly valued subject areas by both groups. Emissions to air and water were ranked high by both groups, but were valued somewhat higher by external stakeholders. Both groups also agreed that product

quality and product safety are important. The greatest differences were in the areas of the environmental performance of products, which external stakeholders thought was more important than the internal stakeholders, and customer service, which the internal stakeholders assigned high priority.

The results from this study seem reasonable and relevant and have provided SCA with support in its work to prioritise the content of the sustainability report and in sustainability initiatives in 2009.

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 Transport	●
21 Supply chain management	●
22 Adherence 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	●

- Strategy
- Environmental responsibility
- Social responsibility
- Economic responsibility
- Control and assurance



# Risks and risk management

	GDP trend and economic conditions	Environmental impact and climate change	Impact of political decisions
Risk	<p>SCA's volume trend is linked to the development of GDP and related factors, including industrial production, in countries representing the company's main markets. Movements in the GDP trend influence demand for certain SCA products.</p>	<p>SCA's operations could have an impact on air, water, land and biological processes. These effects could also lead to costs for restoring the environment. The matter of the economic impact of climate change is also growing in significance.</p>	<p>SCA is affected by political decisions and administrative regulations in the countries in which it operates. These relate to general regulations, such as taxation and financial reporting or more specific regulations, such as the granting of permits in accordance with the Environmental Code.</p>
Policy/Action	<p>SCA has reduced the impact of the general economic trend by focusing on its hygiene operations. Other operations are more sensitive to economic fluctuations.</p> <p>Sales to the retail market, which accounts for the bulk of sales of hygiene products, and to the institutional care and homecare facilities segment for incontinence products are relatively unaffected by the business cycle.</p> <p>The segment in the hygiene business that is most sensitive to economic fluctuations is AFH, which is affected by the consumption of tissue outside the home, for example, within industry and offices, as well as the hotel and restaurant industry.</p> <p>The Packaging business area is more sensitive to economic movements. The volume trend is influenced by developments in the food industry and the manufacturing industry. Forest products are also vulnerable to economic movements and are affected by such factors as fluctuations in business activity in the advertising and construction sectors.</p>	<p>A number of years ago, SCA established a sustainability policy, which details guidelines for the Group's actions in the areas of environmental and social responsibility. Risks are minimised through preventive work in the form of certified environmental management systems, environmental risk inspections in conjunction with acquisitions, and remediation projects in connection with plant closures.</p> <p>The Group's large forest holding has an extremely positive environmental effect through the absorption of carbon dioxide. Furthermore, the forest guarantees access to renewable forest raw materials.</p> <p>Through its extensive Resource Management System (RMS), SCA monitors how the company utilises energy, water, transport and raw materials. The data is used for internal control and follow-up of established goals. SCA works proactively to decrease its climate footprint by reducing its energy consumption and emissions of greenhouse gases. Continuous work is conducted to reduce the already low levels of oil and coal used in the Group, and to increase the proportion of renewable energy, such as wind power.</p>	<p>SCA monitors movements in its business environment, enabling it to evaluate developments and take actions. SCA is a member of national and international trade associations, and for issues of importance to the company, SCA can also work directly in cooperation with regulatory bodies and the public.</p> <p>Another key area for SCA is political developments in the environmental area, where SCA assesses and monitors legislation. Since most of SCA's operations are located in Europe, the EU is a natural focal point. One example of influence exerted in this area is the EU Waste Directive, where focused lobbying efforts ensured that the final directive did not disadvantage SCA's corrugated board boxes, compared with plastic boxes.</p> <p>SCA works actively to disseminate knowledge regarding various national systems to decision-makers in countries where new structures are being built up. Examples include the development of systems for cost-free prescription of incontinence aids in countries where such benefits were not offered in the past.</p>
	Movements in the market price for SCA's products	Risks at plants	Suppliers
Risk	<p>Movements in the market price for SCA's products could create large fluctuations in the profitability of the product in question when these variations are not related to changes in costs for SCA.</p>	<p>SCA has a large number of production facilities in some 40 countries. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems.</p>	<p>SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers could also cause problems for SCA through unethical conduct.</p>
Policy/Action	<p>Several methods can be applied to address the risk that movements in market prices will create significant fluctuations in profitability. A small share of contracts, mainly relating to corrugated board, has been indexed to correspond to the underlying cost scenario. Long-term contracts at fixed prices and price hedging only occur in exceptional cases.</p> <p>To reduce the impact of price movements on SCA, actions are taken to adapt the cost scenario to lower market prices, for example, by renegotiating purchasing agreements, implementing personnel and capacity reductions, and reviewing the business structure. In other cases, the product's content can be adapted to the new market price level.</p>	<p>SCA's activities in this area are governed by its Risk Management Policy, which controls how SCA shall manage insurable risks. From this perspective, the aim of risk management is to protect employees, the environment, the company's assets and the business in an effective and cost-efficient manner, and to minimise SCA's risk management cost. This can be achieved by creating and retaining a balance between loss prevention and insurance cover.</p> <p>The loss-prevention work is conducted in accordance with established guidelines that include inspections by safety engineers and benchmarking with other plants, within and outside SCA. Other important elements of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation.</p>	<p>To reduce this risk, SCA has supply contracts with several suppliers and continuously enters into agreements with various durations. The Group has a number of suppliers for essentially all important input goods.</p> <p>SCA continuously assesses all key suppliers to ensure that they fully comply with the Group's requirements in all respects. The assessment may take the form of a questionnaire, an on-site visit or the use of independent auditors.</p>

Changes in the behaviour and attitudes of customers and consumers	Dependence on major customers and distributors	Expansion into new markets	
<p>Changes in the behaviour and attitudes of customers and consumers could affect demand for certain products and thus profitability. For example, competing substitutes could reduce demand for SCA's products.</p>	<p>The retail trade is SCA's single largest customer group and thus exercises considerable influence. A general consolidation process is taking place in several of SCA's sales channels, thus increasing dependence on individual customers.</p>	<p>In recent years, SCA has expanded the operation into emerging markets outside Western Europe and North America. If the conditions differ from those in already established markets, this expansion could involve new risks for SCA.</p>	Risk
<p>SCA improves customer insight by studying the attitudes and views of existing and potential consumers. For many of SCA's business areas, retail is an important customer and distribution channel. Consequently, changes in the retail sector attract a great deal of attention.</p> <p>Another way of being proactive is through innovation, including in-house research and development. A major driving force for innovation comprises demands and requests from customers and consumers. Accordingly, development work is often conducted in direct cooperation with customers. An increasingly important factor is greater focus on sustainability with respect to environmental, financial and social factors.</p> <p>In many countries, the degree of penetration is low, meaning only a small proportion of the population use SCA's products, compared with more developed countries. To increase acceptance of products, SCA focuses on matters influencing attitudes and on breaking taboos. This also applies to Europe and North America with regard to such items as incontinence products.</p>	<p>SCA's customer structure is relatively dispersed, with customers in many different areas of business. In the retail trade, the prevailing trend is towards increased concentration, which to date has resulted in fewer retail companies at a national and regional level. This could also present opportunities through closer cooperation. There are still a considerable number of retail companies, which reduces the risk for SCA. SCA also uses distributors, mainly for AFH. A very large number of distributors are active in this segment and the international concentration is relatively low.</p>	<p>Sale of SCA's products in new markets can be managed by agents or by the Group's own sales company. When it has been decided to conduct manufacturing in the local market, this may be carried out through a joint venture in cooperation with other owners or by SCA acquiring or forming a wholly owned company. A joint venture, through collaboration with a partner with solid local knowledge, reduces the risk for SCA.</p> <p>Prior to initiating operations, SCA conducts a feasibility study involving, for example, market studies, and a review of the legal requirements, including environmental legislation, due diligence of existing companies, and assessments of the business climate and common business practices in the market in question. A risk analysis of issues related to the environment and business ethics is also performed.</p> <p>The recruitment of personnel with the appropriate values is crucial. SCA's Group policies, including its Code of Conduct and Sustainability Policy, apply to all markets in which SCA conducts operations.</p>	Policy/Action
Cost of input goods	Employee-related risks		
<p>The market price of many of the input goods used in the manufacture of SCA's products fluctuates over time and this could influence SCA's earnings.</p>	<p>SCA must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p>	<p><b>A more detailed description of risks and financial risks is presented on pages 46–51 of the 2009 Annual Report.</b></p>	Risk
<p>SCA's structure means that most raw material flows are produced within the Group and, consequently, price movements have a smaller impact on earnings.</p> <p>Another method used to manage the price risk is by availing of financial hedges and long-term contracts. SCA hedges the energy price risk for electricity and natural gas.</p> <p>A significant cost item comprises oil-based materials and other oil-related costs, such as transport. When possible, these and other costs are managed principally through compensation in the form of raised prices for SCA's products, by adjusting product specifications or through streamlining of the Group's own operation. The impact of price movements on input goods can be delayed through purchasing agreements.</p>	<p>SCA's strategic manpower planning is based on employing the right people with the right expertise at the right time.</p> <p>SCA aims to offer such salary terms and other benefits that the link between SCA's commercial priorities and the individual's personal performance is clear to the employee. Benefits are also adapted to the conditions prevailing in each local market.</p> <p>SCA has established a succession planning programme, which protects the operation if one or more individuals in the respective management teams were to terminate their employment at the Group.</p> <p>SCA encourages its employees to join trade unions and endeavours to maintain excellent relationships the union organisations. This approach enables SCA to proactively work to ensure strategic manpower planning in cooperation with the union organisations.</p>		Policy/Action





# Our environmental agenda

- Reduce carbon emissions from proprietary use of fossil fuels and from purchased electricity and heat.
- Control sources of all fresh fibre-based raw material.
- Reduce total water consumption.
- Reduce organic content in wastewater.

# Climate and energy

SCA pursues far-reaching activities to reduce the Group's carbon dioxide emissions and to reduce the climate impact of its products by, for example, carefully selecting suppliers and investing in new production technology.

## Ambitious CO<sub>2</sub> targets

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 heat, in relation to production level, by 20% by 2020, using 2005 as a reference year.**

At year-end 2009, carbon emissions had declined by 2.2% relative to the production level.

This new, stricter target is a continuation of the target adopted by SCA in 2001, which called for a continuous reduction of carbon emissions. The new CO<sub>2</sub> target also means that SCA assumes responsibility for how electricity purchased by the Group is produced, which will be achieved through such initiatives as the planned substantial increase in the use of electricity produced by wind power.

SCA also endeavours to increase the production of green electricity at the Group's own power plants and to continuously enhance the efficiency of electricity consumption by applying new and more effective technology.

## Large-scale investment in wind power

SCA and the Norwegian energy company Statkraft, which are investing heavily in wind power, 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 20bn, while SCA will grant the use of land for the wind farms. Following a thorough inventory of the Group's forestland, SCA has identified a number of areas in the regions of Jämtland and Västernorrland in Sweden that will be developed in cooperation with Statkraft. In contrast to mountain and coastal areas, there are few conflicts of interest in these

areas. Wind conditions are also favourable and proximity to the main grid transmission network will limit connection costs. Environmental assessments and planning were performed on the sites chosen in 2009.

The environmental assessment includes evaluating the wind farms' impact on reindeer husbandry. Statkraft SCA Vind AB (SSVAB) has conducted extensive dialog with the Sami villages affected by the projects. SSVAB has offered the Sami villages compensation for any negative effects that may arise, but the Sami village most affected by the projects has rejected this offer. At the end of 2009, SSVAB was granted a permit for three of the six wind farms, and for the three remaining wind farms in early 2010. The above-mentioned Sami village and some other stakeholders have lodged appeals with the Environmental Court.

## Overview of SCA's climate work

SCA's broad operations mean that the Group has many opportunities to contribute positive measures to reduce the total volume of carbon emissions from fossil fuels:

**Forest management:** Growth in SCA's forests is more than 20% higher than felling, which entails an annual net absorption of carbon dioxide of 2.6 million tonnes.

**Biofuel:** SCA is a major supplier of biofuel to Swedish municipalities, companies and households, delivering 3.3 TWh of unrefined biofuels, including wood chips to SCA's own production of pellets, in 2009.

**Reduced consumption of fossil fuels:** Over the past number of years, SCA has implemented a long-term programme to reduce the Group's use of fossil fuels. At present, the Group's use of biofuel accounts for 43% of the Group's total fuel balance.

**Increased proportion of renewable electrical energy:** SCA strives to increase its proportion of renewable energy through, for example, considerable investments in wind power and the use of residual products from forestry and industry as fuel.

**More efficient use of energy:** SCA continuously works to enhance the efficiency of its energy consumption. These efforts take the form of small-scale projects (ESAVE) and major energy investments.

**Less environmental impact from transport:** SCA works to improve its transport through its choice of transport modes, by making its transport more efficient and through its selection of suppliers.



### Electricity consumption 2009

- From national grids, 73%
- Own production, 27%

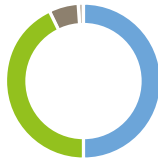


### Electricity consumption 2009: 8,978 GWh

The majority of SCA's electricity, 73%, comes from national grids, while 27% derives from electricity produced in the Group's co-generation plants.

### Fuel consumption 2009

- Natural gas, 50%
- Biofuel, 43%
- Oil/coal, 6%
- Electric boiler, 1%



### Fuel consumption 2009: 77,182 TJ fuel

A total of 50% of SCA's fuel consumption comes from natural gas and 43% from biofuel. Oil and coal account for a mere 4.8% and 1.5%, respectively.

### Substantial investments in production of green electricity

SCA's profitability is highly sensitive to variations in the price of electricity. To reduce its exposure to major fluctuations in the electricity market, SCA has made major investments in new technology and the Group's own power plants in recent years to increase internal electricity production. These investments have also had a very positive impact on SCA's climate work by reducing carbon emissions from fossil fuels.

#### 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% before 2015 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 an attractive energy resource. SCA's combustion facility in Witzenhausen, Germany, provides one example of how waste can be used for energy production. The facility incinerates production waste from the plant and household waste from the region. Production at Witzenhausen is self-sufficient in terms of energy and can also supply the local grid with surplus electricity.

#### Modern technology reduces electricity dependency

In kraft pulp production, a recovery boiler is used in the mill's chemical cycle to recover process chemicals. Through combustion of wood residues, steam is generated that is used for electricity production in co-generation 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 new recovery boilers at, among other locations, the mill in Östrand, Sweden, which generates 500 GWh of green electricity per year. Östrand mill is thus self-sufficient in electricity and heat. A similar recovery boiler in Obbola, Sweden, generates 160 GWh of electricity annually.

#### Efficient use of energy

Continuous efforts to enhance energy efficiency play a central role in SCA's work to reduce the company's emissions of carbon dioxide from fossil fuels. The company finalised two significant investments in this area during 2009:

- The paper mill in Laakirchen, Austria, has increased its capacity to utilise recovered paper as a raw material in paper production to meet the increasing demand for the high-quality paper GraphoVerde, which contains a high proportion of recovered fibre. The investment totals SEK 100m and means that the paper mill will reduce its use of timber, chemicals and electricity, and limit its CO<sub>2</sub> emissions.
- At Ortvikén paper mill in Sweden, SCA has invested SEK 800m in a new pulp line. The new facility enables the mill to produce higher volumes of mechanical pulp with better quality, but also in a more energy-efficient manner. The new pulp line consumes 10% less electricity per tonne of pulp.

#### ESAVE demonstrates strong development

In recent years, SCA's ESAVE energy-efficiency programme has demonstrated positive development. Since its launch in 2003, more than 900 projects have been carried out. The accumulated saving effects since its initiation in 2003 are estimated at 600 GWh of electricity and 1,000 GWh of heat on an annual basis. In financial terms, this corresponds to EUR 50m per year. During 2009, 350 projects have been implemented, resulting in an estimated avoided cost of about EUR 8m.

During 2009, SCA set a new target for the ESAVE programme. The new, expanded target details a total specific energy saving corresponding to a 7.5% reduction in energy consumption per tonne of product by 2012, using 2005 as a reference year. The Group will also measure the direct effect of each individual initiative in a more distinct manner, for example, with respect to reductions in carbon dioxide emissions.

#### Efficient co-generation power

SCA uses co-generation power at a large number of the Group's pulp and paper mills. Co-generation power is electrical energy produced using available pressure drops in units that produce steam used in the production of pulp and paper. This technology is extremely efficient since it makes optimal use of the energy content of the fuel producing both heat and electricity.

### Production of biofuel

An increase in the use of biofuel is one of several important requirements if society is to achieve its goal of reducing carbon emissions. SCA has long been a major producer of biofuel from forest waste and residues from industry. In 2009, SCA supplied a total of 3.3 TWh unrefined biofuels, including wood chips to SCA's own production of pellets, which is an increase of 19% compared with 2008. SCA BioNorr supplied 820 GWh of fuel pellets during the year.

Political incentives to promote the use of biofuels have caused an increase in the price of wood raw materials. SCA believes that the use of high-quality wood raw materials for biofuel instead of in industrial production is a waste of value-adding potential.

### Climate-neutral heating in Skellefteå and Södertälje

Because forest fuel requires considerable space in relation to its energy content and the raw material is located far from the major sources of demand in urban areas, SCA and the transport company Hector Rail developed a system for rail deliveries from terminals in Sweden's Norrland region to various recipients in northern and central Sweden in 2008. This system was put into operation in 2009 and SCA now makes regular deliveries

of biofuel to the municipalities of Skellefteå and Södertälje. While the annual volume is initially expected to total 200,000 tonnes, capacity may be further expanded. Both fuel and transport are climate-neutral.

### Stumps as biofuel

The ongoing trial based on the use of stumps as biofuel continued during 2009. During the year, the Swedish Forest Agency drafted guidelines for stump clearing and the political signals are positive. Accordingly, it is SCA's assessment that stumps will comprise a significant portion of the biofuel produced by the Group in the future.

### Peat harvesting

SCA has vast peat resources and also conducts limited peat-harvesting operations. Drained peat bogs emit such climate gases as carbon dioxide and methane. Harvesting the peat in these lands and subsequently planting forest prevents continued emissions, enables the production of a fuel that can replace fossil fuels and expands the area of forest that can sequester carbon dioxide.

### Eco-sound transport mix

SCA works continuously to reduce carbon emissions resulting from the company's transport, particularly those derived from the company's

truck transport, which account for about 23% of the company's total transport volumes. Truck transport is often the only alternative for the first stage of transporting the raw material from the forest to the mill or rail terminal, and for the final journey from port or terminal to the customer. Other transport mainly comprise sea (about 72%) and rail (about 5%), which are the modes of transport with the lowest climate impact.

### More expensive sea transport

The UN Maritime Organisation IMO has set new and much stricter limits for sulphur emissions from sea transport. Fuel used by vessels in international water contains 4% sulphur or more and contributes significantly to the global sulphur emissions. In contaminated and sensitive sea areas, lower restrictions are set. For the Baltic Sea, the North Sea and The English Channel, the limit is 1.5% sulphur in the fuel. This limit will be lowered to 1.0% by mid 2010 and to 0.1% in 2015. There is a target for the rest of the world to reduce sulphur content in the fuel to 3.5% by 2012, but many countries have not accepted this restriction.

## INCREASED EFFICIENCY AND REDUCED EMISSIONS WITH NEW LIME KILN

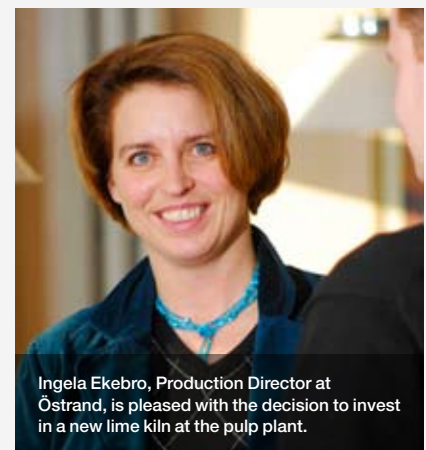
In 2009, SCA decided to invest SEK 500m in a new lime kiln at the Östrand pulp mill in Sweden. The production at the Östrand plant will increase by 10,000 tonnes of pulp per year and fossil-based CO<sub>2</sub> emissions will be reduced by 80%.

"The new lime kiln will enable us to increase our production and, at the same time, we will achieve a dramatic reduction in Östrand's greenhouse gas emissions," says Ingela Ekebro, site manager at the Östrand plant.

The new lime kiln will replace two existing oil-fired lime kilns and will use fuel pellets from SCA's BioNorr plant in Härnösand. Lime kilns play an important role in the production process at sulphate pulp mills. The process produces lime sludge, consisting primarily of calcium carbonate. The lime kiln converts this into calcium oxide (slaked lime), which is then reused in the pulp production process.

The Östrand mill's two existing lime kilns consume approximately 17,000 cubic metres of oil per year and significant savings will be made when this oil is replaced with biofuel. The new lime kiln will also lead to lower chemical and maintenance costs.

The new lime kiln is expected to be put in to operation in late 2011.



Ingela Ekebro, Production Director at Östrand, is pleased with the decision to invest in a new lime kiln at the pulp plant.

The Baltic Sea, the North Sea and the English Channel are important sea lanes for SCA. Fuels for sea vessels with a sulphur content of 0.1% is essentially on a par with diesel of the highest environmental class and will result in an increase in fuel costs of 50–75% in this region. Apart from changing the competitive conditions for the industry in northern Europe, this will mean that large volumes of goods will be transported by truck rather than sea. Rail transport is congested in the areas concerned and there is limited scope for more goods.

As a result of the new IMO restrictions – regardless of well-meaning environmental intentions – this will lead to significantly increased emissions from land transport, in addition to drastically increased costs. SCA, together with other industry and the shipping sector in northern Europe, will argue for adjustments to the IMO restrictions and that the same rules apply to all sea transport.

#### **Carbon footprint and Life Cycle Assessments (LCAs)**

The intensive climate debate in recent years has resulted in a number of initiatives from official bodies and companies. The concept of the carbon footprint is part of this development. In brief, a carbon footprint LCA is based on one impact category (global warming potential), a so-called single-issue LCA.

SCA can report the total 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 sequestration of carbon dioxide in SCA's forests and the reduction of emissions of carbon dioxide achieved when fossil fuels are replaced with SCA biofuel. The Group's positive climate impact is truly substantial and must be considered when assessing the climate impact of the company's products.

One example is the Group's production of solid-wood products. The sawdust generated during manufacturing is processed into pellets. The volume of oil that can be replaced with pellets corresponds to the same carbon emissions as those produced during the entire manufacturing process of the products from which the sawdust is derived. By applying this approach, these products can be regarded as being entirely climate-neutral.

#### **Life Cycle Assessments (LCAs) help to reduce the climate impact**

Since the early 1990s, SCA has pursued a structured way of working to develop environmentally sound products, primarily at SCA Personal Care. SCA Personal Care's way of working is now being progressively introduced throughout SCA's hygiene organisation. The work is based on four key areas:

**Active sourcing.** Manufacturing of raw materials accounts for the bulk of the environmental impact caused by personal care products. Accordingly, all suppliers must adhere to SCA's strict standards and, through recurring audits, suppliers are assessed on a regular basis with regard to quality, product safety, social responsibility and environmental performance.

**Clean production.** The use of modern technology results in clean and economical production of products. Over the course of many years, the environmental performance of production has been enhanced by reducing the consumption of raw materials and significantly curtailing production waste. Between 2002 and 2009, Personal Care's waste sent to landfill from production was reduced by 78%.

**Sustainable solutions.** By focusing product development on innovation, safe products and continuous environmental improvements, hygiene products have steadily improved from a user perspective, at the same time as their environmental impact has been restricted.

Since the early 1990s, the environmental impact of a single product is regularly evaluated using life cycle assessments. An LCA evaluates a product's environmental impact from manufacturing to waste management, including the extraction of the raw material and transport. The major value of life cycle assessments is that they help to identify a product's improvement potential, thus facilitating the best possible environmental choice with respect to supplier selection, product development and continuous improvements throughout the value chain.

**Waste and energy.** Reducing waste after use of the product is a central issue and one in which product development plays a key role. A good example is Personal Care's open diaper. Over the past 20 years, the weight has been reduced by

33% and packaging material by 40%. Hygiene products can also be incinerated, which means that they yield benefits even in the final phase of their life cycle.

#### Reduced climate impact

Through its LCA work, SCA Personal Care has gained solid knowledge of the degree to which the climate impact of European products has been reduced over the most recent ten-year period. The table below contains examples of products for which emissions of greenhouse gases throughout the product's life cycle have been significantly reduced:

European products 1998–2007	Reduction, %
Libero, open diaper	16
Tena Slip	9
Tena Pants	23
Libresse, thin towel	17

SCA continued its work to improve products in Europe during 2008–2009.

Product group	Reduction of CFP in %
All Tena products	-3 to -17
Tena Lady	-13
Tena Flex	-17
Libero open diaper	-12
Libero Pants	-8
Femine thin towel	-14
Feminine panty liners	-6

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

#### Trading in emission rights

The market for carbon dioxide emission rights has been heavily impacted by the prevailing economic situation in the form of declining energy requirements and, consequently, lower emissions. Emission rights have decreased in value, but the market has not collapsed in the same manner as it did in 2006, when a surplus of emission rights was identified in the market. The market in 2009 is deemed to have a certain surplus, but prices have been maintained at an average level of EUR 13 per tonne due to the option to transfer emission rights to Phase 3 of the system (2013 and onward), which is expected to involve reduced allocations, thereby raising prices.

In 2009, SCA had a surplus of emission rights due to earlier investments carried out by the company in energy-efficiency measures and improvements in the Group's fuel mix in relation to the reference year for allocations.

Rules and allocation principles to be applied to the trading system during Phase 3 are currently being developed. To avoid distorting international competition, certain industrial sectors will be allocated emission rights free of charge. The aim of this measure is to discourage relocation of production outside the trading area, so-called Carbon Leakage. The pulp and paper industry is expected to meet the criteria for free allocation.

#### SCA and environmental policies

SCA's operation is strongly influenced by primarily the EU's ambitions in the climate and environmental area, but also by other international and national legislation and regulations. Accordingly, the company carefully monitors the political process to be able to prepare itself for forthcoming changes to rules and regulations that will impact the Group. The main factors that can currently influence SCA's operations are listed below:

- In summer 2008, the EU Commission presented a new action programme – Sustainable Production and Consumption – which contains a series of proposals intended to reduce the impact of production on the environment and increase demand for sustainable goods. The action programme includes measures to promote green public procurement, meaning that 50% of all public procurement shall be based on green criteria already in 2010. A significant proportion of SCA's products are procured in public processes and the company is well positioned to meet the new requirements and criteria.

Of course, Europe is not the only place where policies affect business conditions. New Zealand has decided to adopt 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.

#### TISSUE PLANT IN NEW ZEALAND GOES GEOTHERMAL

SCA's tissue plant in Kawerau, New Zealand, will significantly reduce its carbon emissions by replacing natural gas with geothermal steam.

The country's volcanic zone contains several areas of thermal activity, amongst them Kawerau on the North Island. Consequently, New Zealand's geothermal power accounts for approximately 10% of the country's energy supply with an installed capacity approaching 600 MW.

Steam, currently produced using natural gas-fired boilers, plays a key role at SCA's tissue plant in Kawerau, which produces household towels, napkins and toilet paper under the Purex, Tork, Deeko and Handee brands.

"By replacing the natural gas with sustainable and locally produced geothermal steam, we will significantly reduce our carbon emissions," explains Murray Lucas, Site Operations Manager at the tissue plant.

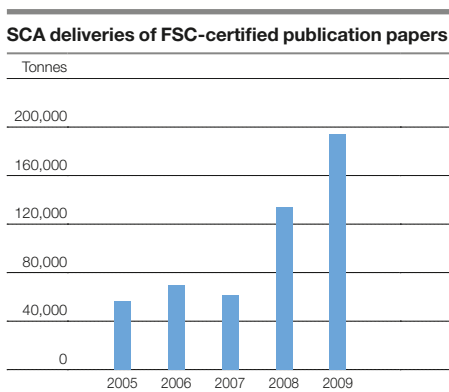
The geothermal steam plant will be completed in September 2010.



In 2010, SCA's tissue plant in Kawerau, New Zealand, will start to use geothermal heat at the facility, which will considerably reduce carbon emissions.

# Responsible use of wood raw material

One of SCA's sustainability targets is to ensure that no wood fibre and no material produced from fresh wood fibre comes from controversial raw material sources. Accordingly, the Group makes extensive efforts in two areas: verification of the Group's own forest management and verification of external suppliers.



## 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. Of this actively managed forest, SCA's ecological landscape plans exclude more than 5% from felling, corresponding to timber valued at between SEK 1bn and SEK 2bn. In addition, more than 5% of the forest, in the form of trees, groups of trees and edge zones, is left untouched during felling to preserve the necessary conditions for biodiversity. Approximately 600,000 hectares of SCA's land is not actively used. This land comprises bogs and forestland not utilised for forestry purposes due to poor growth levels or other reasons. In addition, this land provides vital habitats for a large number of species.

SCA's forest management is certified in accordance with the international forest management standard of the Forest Stewardship Council (FSC), the most stringent forest management standard for responsible 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.

In 2009, SCA became a member of FSC International. This means that SCA is now entitled to vote at the highest level of the organisation, thereby gaining an opportunity to contribute to the continued progress of FSC.

## 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 planning the company's long-term forest management. These yield calculations extend more than 100 years into the future.

Following inventories performed in the preceding two years, the long-term harvesting plan for

SCA's forests was updated in 2007. The inventories showed that the company's current harvesting levels are sustainable. Yields can remain at today's levels for two decades, after which a sustainable increase of about 20% is possible. The level of growth in SCA's forests currently exceeds the harvesting rate by more than 20%. During felling, an average of 5% of the stand is set aside to preserve the conditions for biodiversity.

One example of this is the conservation of storm-resistant pines to create the necessary nesting conditions for large birds of prey, such as golden eagles. The average age of pines containing golden eagles' nests is 270 years old. Another example is that high stumps are left or recreated to provide long-term habitats for insects and birds.

The forests excluded from harvesting costs SCA approximately SEK 200m annually, since the timber that the Group does not harvest on its own land must instead be purchased from other suppliers.

## An increasingly important competitive tool

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

In 2009, the deliveries of FSC-certified publication papers from SCA increased by 45% compared with the preceeding year and deliveries of FSC-certified pulp increased by 15%.

All of the timber supplied to SCA's pulp and paper mills is FSC-certified or meets the FSC criteria for controlled wood. This leaves SCA in a strong position to meet the increasing demand for FSC-certified paper, wood products and pulp.

SCA also recognises other forest certification standards, provided that they meet the require-



ments of SCA's procurement policy. For example, SCA's paper mill in Laakirchen, Austria is also chain-of-custody certified in accordance with the Programme for the Endorsement of Forest Certification Schemes (PEFC), and the company's forest management has been certified in accordance with the international environmental standard ISO 14001 since 1998. In 2009, a total of 13 SCA plants were chain-of-custody certified in accordance with FSC or PEFC.

#### Vision of 100% compliance

SCA conducts approximately 5,000 felling operations annually. The company's vision is to ensure that no deficiencies arise in terms of its consideration for nature. Consequently, SCA continuously monitors its own efforts to ensure that consideration is given to biodiversity and strives to fulfil the Group's nature conservation targets. According to the results of the company's monitoring activities, 9% of the felling operations conducted in 2009 deviated in some way from SCA's instructions for nature consideration and conservation. SCA's compliance with the FSC standards for responsible forest management is monitored by an independent environmental auditor.

#### Extensive control of wood fibre origin

Most of SCA's timber-consuming industries are certified throughout the chain of custody, which entails that all certified and uncertified timber must meet FSC's requirements for origin control. SCA also carries out extensive checks on the origin of wood fibre delivered by external suppliers of pulp and containerboard.

Logging in SCA's own forests accounts for 46% of SCA's timber consumption. Timber from other Swedish forests accounts for 35% of timber consumption and the bulk of the remaining portion is purchased from forest owners in Central Europe. Some 4% of timber raw materials were

## Criticism of inadequate nature conservation

In 2009, the Swedish Society for Nature Conservation (SSNC) reported five cases of deviation from the FSC standard to SGS, the auditing company responsible for conducting the annual audits of SCA's compliance with the FSC standard. The outcome of SCA's regular FSC audit was highly positive. The number of random spot checks performed was unusually high and the overwhelming majority of these checks identified no deviations from the FSC standard. SCA was granted continued FSC certification.

However, the auditor's follow-up of the external complaints filed by SSNC, which primarily cited violations of the FSC forestry standard, identified certain deficiencies that must be rectified:

**Communication.** SCA must establish clear procedures for processing and responding to complaints that have been sent to a large number of recipients in the company.

**Ensuring necessary competence.** SCA must establish clear procedures for ensuring that all personnel, including temporary personnel, have the necessary competence and receive satisfactory introduction to their assignments.

**Protection of key biotopes.** SCA has harvested trees in key biotopes on two occasions.

**Prioritisation of conservation areas.** SCA has harvested a stand with high conservation values without first documenting that adjacent

forest areas, set aside to preserve biodiversity, contain higher nature qualities than the stand harvested.

Each of these deficiencies resulted in SCA being issued with a minor corrective action request (CAR). In addition to these areas of deficiency, SGS's environmental auditor also made four observations that did not result in a corrective action request. These requests and observations will be followed up during the regular FSC audit in 2010.

#### Extensive action plan

SCA has presented an action plan intended to rectify the deficiencies identified during the audit and ensure that the company's consideration for nature in its forestry activities fulfils FSC's standards and SCA's own ambitious nature conservation targets. As part of this plan, all five forest districts will be assigned their own nature conservation specialist and SCA Skog's central staff function will be strengthened through the addition of a position devoted to the area.

All harvesting plans will be reviewed. Should any questions arise as to the quality of the company's nature conservation planning, the plans will subsequently be revised. An inventory of the biodiversity of SCA's forests will be performed, with particular attention devoted to the areas excluded from the company's forestry activities. This will enable SCA to further improve the precision of the conservation initiatives implemented in its forests.

imported almost entirely from the Baltic countries. SCA imported 0.3% of its timber consumption needs from Russia.

#### *Verification of external suppliers*

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

- Questionnaires and documentation requirements.
- Random follow-up of suppliers.
- Independent audits.

Controversial sources are defined as:

- Timber that has been harvested illegally.
- Timber from forests with a high conservation value.
- Timber from areas where human rights or traditional rights of indigenous people are being violated.

In 2009, 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 following summary describes the work being performed in these areas by some of SCA's operations.

#### **SCA Tissue Europe**

SCA Tissue Europe uses about 60% virgin fibre and 40% recovered fibre in its products. In 2009, SCA Tissue Europe introduced a new supplier screening system in which all fresh-fibre suppliers are reviewed. Accordingly, SCA Tissue Europe has fulfilled the Group's target for this area.

Customers in the European market are increasingly demanding tissue products of guaranteed origin, which means that SCA Tissue Europe's thorough efforts give the company a competitive edge.

#### **SCA Personal Care**

All SCA Personal Care's pulp suppliers were audited regarding their respective use of wood raw material during 2009. The complete audit was based on the updated supplier standards for the Personal Care business group. The Group target is fulfilled for all absorbent personal care products.

#### **SCA in Australia and New Zealand**

SCA has two production plants for tissue products and two for personal care products in Australia and New Zealand. Fresh fibre-based pulp is purchased from several countries, including Australia, Chile, Canada and New Zealand.

All pulp suppliers to the plants in Australia and New Zealand undergo screening. As of 2012, all pulp will be purchased from certified suppliers (FSC or PEFC). SCA's plant in Box Hill, Australia, received PEFC certification in 2009, and the facility in Kawerau, New Zealand, expects to achieve PEFC or FSC certification in 2010.

#### **SCA Packaging Europe**

On average, SCA Packaging Europe uses about 75% recovered fibre and 25% fresh fibre in its products. Half of the fresh fibre-based material comes from suppliers in the SCA Group, thereby fulfilling the Group target for eliminating fresh fibre from controversial sources. The remaining 50% of the fresh fibre-based material comprises containerboard purchased from a number of external European suppliers.

Since transport of raw materials and finished packaging is costly, manufacturing is largely conducted at the national or local level. Like other players in the market, SCA uses a number of containerboard suppliers to minimise the transport costs for each purchase. Accordingly, the flow of raw materials in the packaging market is relatively complex and subject to continuous change.

The large number of suppliers makes meeting the Group's fibre target more challenging for SCA Packaging Europe than other areas of SCA's operations.

The business group currently performs random spot checks of its many external suppliers to ensure that the Group's target is being fulfilled. The results of the most recent checks revealed that:

- 38% of purchased volumes comes from FSC or PEFC-certified suppliers, which means that it is verified that none of the fresh fibre included in these volumes originates from a controversial source.
- 47% of volumes comes from non-FSC or PEFC-certified companies. This means that fibres should derive from non-controversial sources, but it is has not been verified.
- 8% of volumes comes from suppliers that did not respond to SCA's questionnaires.
- 7% of volumes was not included in the survey.

Overall, this means that SCA Packaging Europe is aware of the origin of approximately 85% of the fresh fibre used by the company and thus does not fully meet the target of the SCA Group at present.

Accordingly, SCA Packaging Europe will launch a long-term initiative in 2010, within the framework of the SCA Group's Sustainable Supplier Standards, aimed at gradually increasing the level of awareness until the Group's sustainability target in the area is fulfilled. The goal is for this work to be completed by 2011.

The main objectives of this initiative are to fulfil SCA's target and to promote an increased interest in FSC-certified packaging, or packaging certified in accordance with other equivalent standards among the company's customers in the consumer market in northwest Europe.

#### Far-reaching use of recovered fibre

In 2009, SCA consumed approximately 4.0 million tonnes of recovered paper and 4.2 million tonnes of wood and sawmill chips in its production operations. The recovered fibres come from paper recycling in cities throughout the world. In Europe, SCA has its own organisation (SCA Recycling) for the purchase, collection and distribution of recovered fibres. 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 leading development

SCA is among the leading companies in the development of production based on recovered fibre. It has established 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 containing more than 50% recovered fibre. The new paper has become so successful that the mill in Laakirchen has increased its annual capacity for recycled pulp production from 145,000 tonnes to 175,000 tonnes.

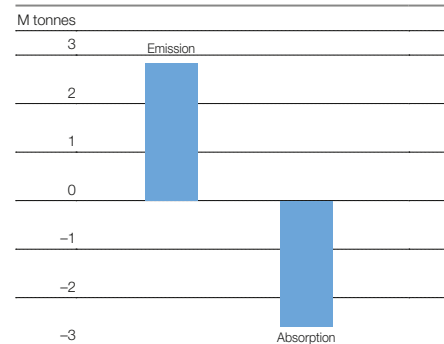
#### Active and responsible forestry counteracts climatic change

Active and responsible forestry generates positive climate effects. For example:

- Maintaining a high level of forest growth enables an increasing amount of carbon dioxide to be absorbed by the growing trees each year. The level of growth in SCA's forests exceeds the harvesting rate by more than 20%, which means that SCA's forests absorb a net amount of about 2.6 million tonnes of carbon dioxide. This corresponds to the total amount of carbon emissions generated by all of the Group's production facilities.
- Replacing such materials and raw materials as concrete and oil with wood products and bio-fuel reduces the total carbon emissions from fossil fuels.

Thanks to their capacity for sequestering carbon dioxide, forests have a unique ability to counteract climate change. Forests also represent a significant natural resource and, in many cases, wood raw material can contribute to favourable climate trends by replacing other raw materials that have a more negative climate impact.

SCA's emissions and absorption of carbon dioxide from own forests 2009



### Growing forests absorb carbon dioxide

The world's forests are vital to the earth's climate and, if managed correctly, 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. This means that growing forests contribute to reducing the level of carbon dioxide in the atmosphere. Similarly, the level of carbon dioxide in the atmosphere increases as a result of felling. The large carbon stores absorbed by the forest are released as carbon dioxide – either immediately when the felled forest is burned, as is done in many areas of the world to increase the area of land used for agricultural and plantation purposes, or gradually as timber, felling residuals and forest products decompose. When a new forest is planted after felling, it absorbs new carbon dioxide. By stopping global deforestation and promoting active and responsible forestry, significant climate benefits can be achieved.

### Forest products are climate neutral

Not only are raw materials from responsibly managed forests renewable, they also contribute to counteracting climate change. The carbon dioxide that is released when timber or paper products are finally decomposed or incinerated is already part of the atmosphere's carbon ecocycle, and no "new" carbon dioxide is released. Forest products can thereby contribute to limiting climate change in that they replace non-renewable materials that require large amounts of energy. For example, using wood to replace concrete and steel in buildings has a decidedly positive climate impact.

### Biofuels can reduce the use of fossil fuels

The primary 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 reduced.

### 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 sequestered by trees and land declines accordingly. For SCA's forest operations, the situation is reversed. Each tree harvested by the company is replaced with three new ones. The net carbon dioxide absorption of SCA's forests is approximately equivalent to the combined amount of carbon dioxide released by all of the Group's production facilities. Altogether, Sweden's forests have an annual net growth rate 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 sequestered in a growing forest would be sufficient to offset the use of fossil fuels.

## VELVET PLANTS THREE TREES FOR EVERY ONE HARVESTED

Velvet, SCA's tissue brand in the UK, more than live up to the SCA Group's message of "For every tree used, we replant three" in its own forests. As one part of living the promise, Velvet participates in a number of projects, including a reforestation project in Brazil.

The Velvet Three Trees project consists of three building blocks. Firstly, and importantly, FSC-certified pulp supplied from the Östrand pulp mill in Sweden is utilised in the manufacture of the products. Secondly, Velvet uses pulp from other FSC suppliers. Finally, the brand has also initiated a ground-breaking project with a number of key partners in different parts of the world. The aim of the Velvet Three Trees project is to drive appraisal from consumers of the importance of responsible forest management and to focus attention on the environment.

Brazil is one of the countries in the project where the Velvet Three Trees project has

planted more than a million trees in an area that was previously deforested. The first seedlings were planted in the earth in Para State in October 2008 and the site underwent an external FSC audit in December 2009. SCA is still awaiting the report from this audit.

The project includes financing and planting different domestic tree species, including Parica, Tambori, Freijo, and Cedro, encouraging biodiversity and support for indigenous population. In the next stages, the project will also involve trying to creating a sustainable economic market for the domestic tree species, a conservation programme and a social improvement program.

As part of the project in 2010, a small community nursery will be established and agroforestry trials will be introduced in which the local community will be able to grow food crops between the young saplings.

The Three Trees project is integrated into the marketing support for the Velvet brand in the UK, from its on-pack logo, through to advertising and direct consumer activity. Velvet is also working with a number of additional partners delivering planting initiatives outside of Brazil, and within the Velvet UK home market.



In Brazil, SCA is planting trees on previously deforested land.

# Systematic efforts to improve water usage

SCA uses 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:

**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 2009 and using 2005 as a reference year, the reduction in these figures was 4.9% and 40.0%, respectively.

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

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

## **Water is one of our principal natural resources**

Access to clean water is influenced by climate changes and emissions from industries and society. Consequently, new political directives are being drafted in such regions as the EU to strengthen the protection of our watercourses.

Water and water usage is gaining ever-increasing importance in the global sustainability debate. Issues being discussed include the possibility of measuring how much water is directly and indirectly used to produce a specific product, such as a kilo of beef or a tonne of paper. A water footprint can also be applied to different nations to compare the water consumption of different countries and regions. SCA takes a cautious approach to the value of a water footprint at a product level, since access to water is so dramatically different in various parts of the world. What may be regarded as high consumption in one location could be entirely negligible in another. SCA in-

stead advocates that – similar to EU legislation in the area – the assessment be based on the conditions applicable for each individual watershed; see below.

## **EU directive for good water status**

The EU Water Framework Directive from 2000 is under gradual implementation, and the goal is to achieve “good” water status in all member countries by 2015. The directive states that the management of specific water districts, such as lakes or rivers, should be based on their unique conditions. This concentrates the focus on the prerequisites of each individual watercourse and cross-border cooperation. 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.

## **SCA mainly uses surface water**

A key issue with respect to water usage is the matter of surface water versus groundwater. Surface water is the water found in lakes, watersheds, wetlands and coastal areas. Ground water is formed when surface water seeps down through the soil and is stored. Drinking water is largely sourced from groundwater. As a rule, the replenishment of groundwater reservoirs is a slow process and water in the reservoirs can be thousands of years old.

Considering the slow rate of replenishment of groundwater deposits, there is a risk that these resources will be depleted in many parts of the world. SCA mainly uses surface water at its production facilities and only 10% of the Group's total water consumption originates from groundwater.



**Projects and activities for improved water usage in 2009**

- **New biological treatment plant at the mill in Munksund.** The plant was commissioned in June 2009 and will entail a more than 70% reduction in emissions of organic matter. The new treatment plant in Munksund will therefore have a substantial positive impact on the SCA Group's overall water target.
- **New biological treatment plant at the mill in Drammen, Norway.** The facility was brought on-stream in late autumn 2008 and means that emissions of organic content are significantly lower than regulatory requirements and the requirements for Nordic Ecolabelling.
- **Reduced water consumption in Box Hill, Australia.** Over the past ten years, the Box Hill tissue mill has reduced its water consumption by 70%. During the past year, water consumption was cut by 185 million litres.
- **Reduced water consumption in Valls, Spain.** The Valls paper mill has implemented significant improvements in its water usage. In 2005, it used 9.24 m<sup>3</sup> of water per tonne of paper produced. In 2009, water consumption had decreased by 77% to 3.95m<sup>3</sup> of water per tonne of paper produced. As a result of the efficient use of water, the total volume of organic matter has also been considerably reduced.
- **Enhanced control of nutrients at Östrand, Ortviken and Laakirchen.** Nutrient control means that by measuring phosphorous and nitrogen or incoming COD loads online, it is possible to regulate the content of nutritive matter to optimise the performance of the biological treatment used to reduce emissions of organic material and nutrients.

**BIOLOGICAL WATER TREATMENT AT ALL EUROPEAN SITES**

In autumn 2009, a new effluent water treatment system was introduced at SCA's tissue mill in Stembert, Belgium. Consequently, all European paper and pulp mills are equipped with mechanical and biological water treatment.

The wastewater treatment in Stembert is based on a Multibio process, which is highly efficient. The new treatment plant will reduce the organic content in wastewater by 70% (BOD).

"This system is completely natural and ecological as the treatment is performed by reeds and requires neither energy (gravity drives all stages of the process) nor chemicals after the primary physico-chemical treatment," says Jean-Paul Adam, environment and risk manager at Stembert.

In the future, water-treatment efforts will be focused on plants outside of Europe.



With the installation of biological water treatment at the plant in Stembert, Belgium, all of SCA's European paper mills are equipped with mechanical and biological water treatment units.

# Chemicals and product safety

The use of chemicals and the commitment to product safety are of vital importance to SCA because the Group's hygiene products come into direct contact with people's skin and parts of the Group's packaging range are used in the food industry.

## 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 Authorisation of Chemicals) legislation became effective. This new legislation covers issues related to occupational health and safety, product safety and the environment, and places responsibility on producers and users to demonstrate that the chemicals they use are safe.

In 2009, the comprehensive project aimed at registering chemicals was launched. This work is the responsibility of the chemical producers, meaning SCA's suppliers, but as a user, SCA must supply its chemical suppliers with all relevant information about how it uses the chemicals. This data is compiled in a decentralised manner at the Group's manufacturing units, and communication between SCA and the Group's chemical suppliers has been intense during 2009.

Chemical suppliers will prepare new risk assessments, based on information provided by customers to chemical suppliers detailing the areas of application. Some of these new assessments should be finalised by December 2010, when the first registrations under the terms of REACH must be completed. In conjunction with the registration of chemicals, all information relating to each individual substance will be updated in the form of new and extended Safety Data Sheets (SDS). All new information will be examined and implemented in SCA's system. SCA is currently preparing the organisation for this forthcoming work.

The implementation of REACH imposes strict demands on an effective system for the management of information on chemicals and the Group's web-based chemical management system is an important tool in SCA's chemicals efforts. This system describes the health and environmental impacts of various chemicals. It now includes in-

formation on a total of approximately 5,000 chemical products that are used by SCA in its production.

## Product safety

SCA works systematically with product safety to guarantee that its products meet all the requirements imposed by legislation, SCA's customers and voluntary agreements in trade associations.

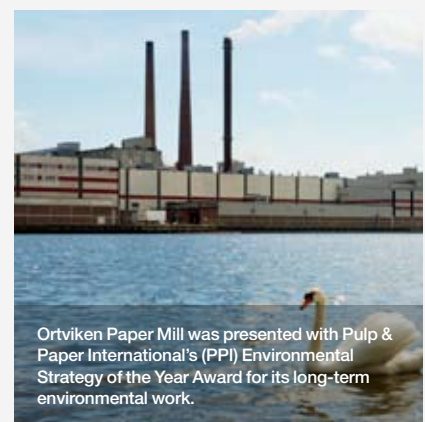
Since SCA's product range is highly diversified, a variety of routines and processes relating to product safety are in place across the different business groups. As a rule, however, these include safety assessments of raw material, quality assurance, hygiene standards, information to customers, and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

## SCA ORTVIKEN WINS PPI'S ENVIRONMENTAL STRATEGY OF THE YEAR AWARD

During 2009, SCA Ortviken received one of the paper industry's most prestigious prizes, PPI's Environmental Strategy of the Year Award – the Mill Prize.

The Environmental Strategy of the Year Award is presented by Pulp & Paper International to the mill that has gone the extra mile and above the call of duty to implement effective environmental solutions. The judges looked for a showcase mill that takes all the elements of impact on the environment into consideration, including sourcing of raw material, air and water emissions, and water and energy use.

In the evaluation process, SCA Ortviken was highly praised for its long-term approach in its environmental work. Chlorine-free pulp was introduced in production already in 1995. SCA was also the first in Europe to offer FSC-certified publication paper back in 2000. Furthermore, the mill uses an extremely low proportion of fossil fuels and has efficient energy-recovery systems. Surplus heat from the mill is delivered to the district heating grid of Sundsvall Municipality. The mill has also significantly reduced emissions to air and water.



Ortviken Paper Mill was presented with Pulp & Paper International's (PPI) Environmental Strategy of the Year Award for its long-term environmental work.





# Our social agenda

- Ensure human rights compliance.
- Prevent corruption and bribes
- Assessment of suppliers.
- Continuous improvements in relation to health and safety.
- Recruit, retain and develop employees with the right skills.



# SCA's Code of Conduct

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

SCA's Code of Conduct was approved by the company's Board of Directors in 2004. The Code is based on SCA's core values of respect, excellence and responsibility, and constitutes the cornerstone of the Group's commitment to managing its business activities in accordance with ethical principles and applicable legislation and regulations. It provides guidance regarding such aspects as health and safety, ethical business practices, prohibition of political donations and facilitation payments, human rights (including child and forced labour), employee relations and data privacy, and for reporting deviations pursuant to the Code.

Each employee who joins SCA is given a copy of the Code of Conduct. It details clear, uncompromising standards for business conduct and is underpinned by a principle of no-detriment to employees who refuse to pay or take bribes. To further mitigate the risk of bribery and corruption, SCA conducts appropriate due diligence before entering into new partnerships.

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 goals.

The next planned review of the Code of Conduct will take place in 2010.

## Compliance

SCA is committed to ensuring compliance with the Code of Conduct and to the work that aims to verify the application of its policies. This is achieved through regular reviews and disclosure of non-compliance, including details of breaches and enforcements. Methods applied by SCA to monitor compliance with the Code of Conduct include global reporting systems, which involve reporting on the performance of all SCA businesses

using a series of internal and GRI Key Performance Indicators (KPIs). See GRI Index on page 66–67.

## A strengthened CSR strategy

SCA reviewed and strengthened its CSR strategy and approach in 2009. The SCA Code of Conduct is well embedded in the organisation and constitutes a strong cultural bond that forms the basis of the strategic approach and permits further development of a CSR agenda.

The inclusion of GRI reporting has also enabled a more defined approach, since the indicators have supported and helped to guide the focus areas.

The CSR strategy is managed by a Global Human Resources Management Team and is driven by a CSR Reference group together with six CSR working teams. (See page 11).

In 2009, the teams set their agendas for the next two-year period.

**Health and Safety:** Continued efforts involving workplace safety featuring an increased focus on employee health. In 2010, the focus will be on accidents due to "slips, trips and falls", one of the most common reasons for accidents to occur, and on identifying "unsafe" behaviour. The work group will also conduct a review of the Group's Health and Safety management systems.

**Community Relations:** Examine current activities and develop further methodology to enable better collation and communication with respect to SCA's activities to streamline the strategy.

**Business Practice:** Review of principles, procedures and training to increase awareness regarding corruption throughout the Group and to strengthen compliance with the SCA standard of zero tolerance for bribery or corruption. Develop a

way forward to use Business Practice Reviews more extensively throughout the SCA Group.

**Employee Relations:** Develop a process to better collect and collate good practices based on core values, such as SCA's Leadership Academy and Leadership Platform. This process will also be enhanced by building on the strong links SCA has with Trade Unions.

**Human Rights:** Follow-up on the progress of Human Rights Assessments undertaken between 2005–2007, identification of sites for follow-up visits and establishment of a framework for future development and assessments in 2010 and 2011.

## Ethical Business Practice

In 2008, SCA developed a new methodology to assess compliance in relation to the Business Practice section of the Code of Conduct. The Business Practice Reviews cover adherence to SCA's business practice requirements as outlined in the Code of Conduct, compliance with relevant internal control regulations and global SCA policies, conducted by SCA's Internal Audit function.

While the reviews cannot constitute a comprehensive audit, they are an effective means of identifying risks in daily operations, since they focused on business conduct in the SCA operation of interest and also addressed the conduct of such business partners as suppliers, distributors and service companies.

In 2009, four Business Practice Reviews were conducted in selected operations at SCA's Tissue and Personal Care operations in Russia. The reviews consisted of in-depth interviews with senior managers in the country organisation. A total of 11 managers with different areas of responsibility were interviewed, providing a comprehensive overview of compliance with, for example, competition legislation, conflict of interests, global SCA



policies, internal control regulations, including second level approval, and segregation of duties.

Going forward, a selected number of reviews will be undertaken across the SCA Group in regions with significant potential risks for unethical business conduct. Common rules governing business practices will subsequently be developed where necessary and the self-assessment methodology will be implemented Group-wide.

#### Code of Conduct implementation in jointly owned companies

SCA jointly owns companies with various partners all across the globe. All are managed by a Board whose members are representatives of both SCA and its partners. 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 requirements for compliance with SCA's Code of Conduct. However, this stipulation is included in all new contracts.

Despite these circumstances, SCA endeavours to ensure adherence to its Code of Conduct in cooperation with its partners. In 2008, the Group developed a checklist of CSR indicators to be reviewed annually at a JVC/SCA Board meeting. This checklist was discussed in 2008/2009 at Board meetings in SCA's joint ventures in the Middle East and Africa, but SCA's aim is to have these issues annually on the agenda of Board meetings of all jointly-owned companies. Although SCA lacks a mandate from its business partners to demand compliance with its Code of Conduct, this generally causes few conflicts since

the company's partners share SCA's view on business ethics.

However, the issue of compliance with the Code of Conduct is an ongoing project, which in some cases cannot be achieved overnight. An example of the complexity of conducting business on a global scale is provided in SCA's Jordan-based jointly owned company FINE SCA. FINE SCA operates in 18 countries in the Middle East and Northern Africa, where political, cultural and business conditions can deviate substantially from one another.

#### Human Rights Reviews

Between 2005 and 2007, SCA undertook 28 human rights assessments at 26 wholly owned and two jointly owned SCA production facilities in 12 countries. The selection of sites was based on analyses of the human rights risk in the countries and the potential risk of corruption.

The assessments covered business-related human rights issues as well as employment conditions, health and safety, community involvement and an evaluation of ethical business practices. Code of Conduct violations were identified and action plans for remediation prepared and implemented. Subsequent follow-up visits were undertaken at selected sites and remediation actions reviewed together with local and regional management.

Follow-up on progress achieved at the sites previously visited is planned for 2010/2011 together with a series of new human rights assessments.

#### Supply Chain Assurance

At every stage of its dealings with suppliers – from selection and consultation to payment – SCA is committed to the principles outlined in its Code of Conduct. The global scale of the Group's supply procurement presents opportunities to influence the social and environmental footprint of its suppliers.

SCA's suppliers' commitment to and implementation of socially responsible working and operating practices continues to be of significant importance to SCA and, in recent years, has also become a focus for many of SCA's customers. SCA requires that suppliers commit to upholding and implementing socially responsible practices.

In 2009, an internal review revealed that internal guidelines and processes could be more robust with respect to auditing and confirming the actions of suppliers. A review of the guidelines and implementation of improvements will be undertaken where required in 2010. SCA will also review its supplier standards and, where necessary, extend or improve these to ensure they reflect both the Group's expectations and those of external stakeholders.

It is estimated that about 69% of all major suppliers have undergone screening for human rights to date.

#### Code of Conduct violations

In 2009, a total of 29 violations of the Code of Conduct were reported.

There were seven cases of discrimination in which four were sexual harassment cases – two in

#### WHISTLEBLOWER PILOT IN ASIA

In 2009, SCA introduced a third party Code of Conduct Compliance Hotline in China and Southeast Asia to provide all SCA Packaging Asia employees, suppliers, third-party service providers and customers with an alternative method of reporting instances of Code of Conduct violations, other than using the existing administrative channels. The hotline allowed employees or members of the public to voice their concerns about suspected violations of the Code (with no negative reprisals to themselves).

A special ethics committee was established to deal transparently with all complaints. Since implementation in April 2009, 72 calls were received. The issues reported can be broadly categorised as human resource issues, management issues and issues of suspected ethical misconduct. All calls were reported to and discussed by the ethics committee at a weekly review and in



In 2009, a pilot project was launched of a reporting system, managed by an independent party, for monitoring non-compliance with the Code of Conduct in Asia.



Australasia and two in Europe. Two cases resulted in the termination of employment; one a reprimand; and one in which a tribunal claim is still pending although internal audit could not find any evidence of a breach. SCA values and Code of Conduct were fully implemented throughout the organisation together with training regarding appropriate workplace behaviour. Site managers were also counselled on best practice and regular reminders are sent out in internal communications. For the remaining cases of discrimination, see page 40.

Six cases of fraud and theft were reported of which one major fraud and theft incident was estimated to have resulted in a loss of SEK 10m for SCA. A complete audit of the incident was completed and recommendations include improvements to whistleblower procedures and management oversight as well as detailed business continuity. Action has been taken by SCA against all those involved.

Other cases include four incidents of expense report abuse; one incident of internet misuse; five incidents of questionable activities such as driving on the job while intoxicated; four cases of conflict of interest; and two cases of bribery. All cases were investigated and appropriate actions were taken. Actions included termination of employee contracts, reprimands or demotion, in conjunction with the implementation of additional training, communications and control. In some instances, the case was handed over to police for prosecution.

### 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 provided at regular intervals and to all new employees. To date, an estimated 84% of employees have been trained in SCA's anti-corruption policies via Code of Conduct training.

SCA has a continuous scanning process to identify countries with potential risks for non-compliance with SCA's Code of Conduct. Transparency International's country risk ratings and SCA's decision-making process for Human Rights Assessments and Business Practice Reviews ensure that an ongoing evaluation of corruption risks occurs and that special focus is given to these issues in high-risk regions when evaluating business partners, suppliers and potential acquisitions.

SCA has identified countries with potential risks for corruption corresponding to 11% of net sales. To date, business units corresponding to 5% of net sales have been audited with respect to corruption, through Business Practice Reviews.

Despite the ongoing reaffirmation of the requirements of the Code of Conduct (policies, internal control regulations, regular training and information sessions) incidents of corrupt business practices do, unfortunately, still occur. In some cases, this involves SCA employees engaged in unethical business activities, on other occasions it may concern a business partner conducting cor-

rupt business conducts which is in violation of SCA's terms of contract.

In 2009, a total of three incidents of corruption were reported to SCA's management team. Three incidents involved employees and two of these incidents also involved suppliers. In one incident, both employee and supplier contracts were terminated. In another incident, increased education and training of employees and suppliers with respect to the business practices of SCA was implemented. An initial investigation by the internal audit department into the third of these incidents is ongoing.

26 cases, of which 15 were Code of Conduct related, appropriate remedial actions were taken.

SCA believes that early identification, investigation and resolution of possible violations of its Code of Conduct are important to ensure ethical business behaviour. The aim of the third party hotline system piloted in 2009 was to test whether the current system for reporting of suspected violations of the SCA Code of Conduct was functioning appropriately or if there was a need for additional reporting mechanisms.

The conclusion reached is that SCA's internal system for reporting suspected violations of the Code is adequate. However, the third party hotline is a secure, confidential and valuable tool that SCA will continue to operate in China and Southeast Asia and will utilise in future should the Group receive indications that its internal systems are not functioning appropriately in a specific region or regarding a specific issue.

### Some statistics relating to China

In 2009, SCA had 3,504 full-time employees on a long-term contract, 596 that were subcontracted and an additional 386 that were temporarily employed due to changes in production. China has a system for household registration meaning that many employees are categorised as "migrant," since they are employed outside of the area they were born. This gives rise to difficulties with respect to payment of and access to social and pension contributions for both the employer and the employee. The situation affects a significant portion of SCA employees and SCA has insurance provisions in place to provide full-time employees with more protection. As a result of changes to China's labour legislation in recent years, legal compliance has been strengthened and employee rights have generally improved.

# Employee relations

A company is nothing without its employees. It is therefore crucial to recruit the right individuals and to retain and develop employees for the benefit of both parties.

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

## Employee recruitment

To achieve its operational and strategic goals, SCA must apply effective methods to recruit competent people and ensure that in-house talent is well distributed throughout its businesses. Accordingly, SCA launched a web-based recruitment system across all SCA business groups in 2008 – the Job Portal. During 2009, the introduction was completed. The aim of the portal is to display all available jobs within SCA. Furthermore, those who wish can register their CV and future work preferences 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, encourages equality of opportunity and appreciation of the large, diverse world now on offer at SCA, and provides employees with development opportunities and opportunities to drive their own career. It also promotes a more efficient recruitment process. Today, more than 40 countries have been connected to the system.

## Training and development

At SCA, training and development of employees is assigned high priority. 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 Leadership Academy is an example of a global leadership programme that is geared toward mid-level managers who have a number of years' experience. The aim of the programme is to develop SCA's leadership, build up expertise at SCA and to provide the participants with a network that crosses business group borders. In 2009, to further emphasise the latter aim, it was decided that the programme would always include participants from several different business groups. Since the Leadership Academy's inception in 2004, slightly more than 300 managers have completed the programme.

The average number of training hours for all employees in 2009 was 10 (9) hours. The total training cost, measured using 2009 expenditure data, was about SEK 246m (153), or about SEK 5,000 per employee. The estimated relation internal/external training is 70/30 and these figures only capture external costs/training hours.

## Succession planning

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

## Leadership and talent management

SCA has best-in-class ambitions with respect to leadership. In 2009, the organisation developed a new global leadership platform based on SCA's core values and its strategies. It is a common framework that describes what is expected from SCA leaders and is designed to meet short and long-term needs for current and future leaders and talents.

The leadership platform has been developed by SCA's top 100 managers, who work in various functions and are of different nationalities, genders and backgrounds, together with 40 young professionals to ensure that it provides SCA with the desired leadership that will enable the company to deliver on its strategies.

The leadership platform consists of a number of leadership capabilities that are of critical importance for SCA leaders to drive the business strategy. Combined with the core values, these capabilities create the SCA culture and provide a Group-wide understanding of what it takes to be a leader in the company. The Group's succession planning is based on the leadership platform and will be embedded in the performance management discussions from 2009.

#### A global performance management review system

During 2009, SCA developed and instigated the launch of a new global performance management

review system that will serve as a congruent language to define and clarify the conduct that is required at a global level for SCA to achieve its business goals. In 2010, the majority of SCA's managers will receive training in this common system.

All employees shall have at least two performance reviews per year, which will now be conducted in accordance with a Group-wide model. It will include setting clearly-stated targets and expectations, and providing and receiving feedback so that employees appreciate their contribution to SCA's business results. About 70% of employees are given regular performance and career development reviews.

#### Diversity strengthens competitive edge

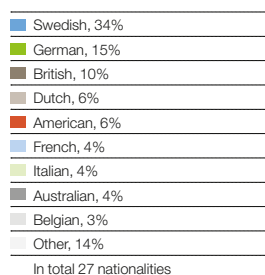
SCA comprises approximately 50,000 people in 60 countries. About 27% of these are women and approximately 15% hold an academic degree or similar. In competitive terms, diversity helps SCA by adding insight into customer requirements and

demands throughout the global marketplace. To maintain this diversity, one basic requirement is to ensure that all employees are treated fairly and with respect – regardless of age, gender, ethnicity, religious belief or any other personal characteristic. SCA strives to achieve a non-discriminatory workplace based on respect and trust and takes a serious view of any incidents of discrimination.

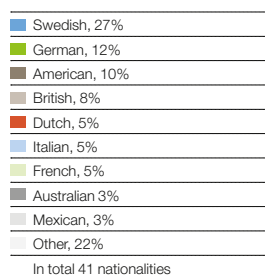
#### Management diversity survey

To obtain an accurate overview of the company's management content, SCA conducts an annual diversity survey of its top managers. In 2009, 41 nationalities were represented among the 1,000 most senior executives, of whom 20% were women. Among the 300 most senior executives, 27 nationalities were represented and 13% of this group were women. The five-year trend in these surveys shows increases in both gender and ethnic diversity.

SCA's top management diversity survey, top 300 managers 2009



SCA's top management diversity survey, top 1,000 managers 2009



Employees

	Total
Number of Employees	49,531
Temporary employees	2,242
Part-time employees	1,527
Employees leaving the company	5,768
<b>Employee turnover</b>	<b>12%</b>

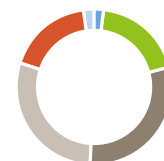
SCA's top 300 managers by gender 2009



SCA's top 1,000 managers by gender 2009



Employee age distribution SCA Group 2009



### Incidence of discrimination

Diversity and non-discrimination in the workplace are cornerstones of the SCA Code of Conduct. SCA has a system in place for reporting and investigating discrimination incidents and applies procedures to avoid similar incidents in the future.

In 2009, a total of seven incidents of discrimination were reported to the SCA Group. Four incidents related to sexual discrimination (p. 36). The remaining three cases of discrimination involved abuse of power, bullying and assault. Two incidents resulted in termination of employee contract and one incident a reprimand and additional training on appropriate SCA behaviour. Each of these cases was investigated in accordance with SCA procedures and local legislation.

### 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 and its 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:

- During 2009, SCA employees in the Americas participated in a survey to determine the effectiveness of the current system for submitting innovative ideas and what SCA can do to improve on this system. The survey results gave valuable input for further improvements to the system.
- SCA Tissue Europe conducted an employee survey to obtain feedback on the key drivers of a high-performing organisation, such as clarity of goals, management effectiveness and customer orientation. About 6,900 people (80% response rate) participated and the overall response was positive, which shows that people are proud to work for SCA. Acknowledgement of a job well done and opportunities for professional development were potential areas of improvement. In April, all employees will have been informed of the results and key action plans and tracking measures will be in place in July.

- More than 2,700 people (82% response rate) participated in SCA Personal Care Europe's annual employee survey. The survey tracks how employees evaluate areas that are key to creating an environment where people are given the opportunity to develop their skills and maximise their performance. The questions posed were related to goals, feedback and development. Each survey unit received their respective results, so managers can work with their teams on an action plan for the year ahead.

### Restructuring and reorganisation

The impact of restructuring and reorganisation activities has been most strongly felt in Europe. SCA is committed to providing effective support to all employees affected by organisational changes. The first step in the restructuring procedure is early and transparent information to the affected personnel. SCA also notifies the SCA European Works Council and other employee representatives in accordance with SCA policy, national legislation and collective agreements. Employees are informed about the reasons for the changes, expected consequences, and how the changes will be implemented. The average notice period in the SCA Group in connection with organisational changes is five weeks.

Social plans, which address both Group and individual needs, are created. Typically, the social programmes contain employment search assistance combined with financial support and assistance with further education. Agreements, which include severance pay and provisions that address the search for alternate employment, are made with affected employees. Services available include individual career counselling, job searches, workshops and administrative support. It is common that local employers are also contacted. SCA also assists new employers by providing employees with training to increase their competence in their new place of work. Early retirement schemes are also offered.

During the year, 11 corrugated plants and one containerboard plant were closed down in Europe. The number of employees in SCA Packaging Europe was reduced by 1,500 and another 500 employees will be laid off in 2010.

### 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 the existence of formal collective bargaining arrangements vary from country to country. On average, about 70% of employees at SCA sites were covered by collective bargaining agreements in 2009.

In many markets, SCA conducts 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 continuous dialogue with employee representatives. Items on the agenda include the Group's development, earnings, health & safety and organisational changes.

While about 60% of health and safety topics were covered in formal agreements with trade unions, such as safe working environment and personal protective equipment, the figure for the Group as a whole is higher.

### 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 last review conducted in January 2009 concluded that no violations of the agreement had occurred. In March 2009, the signatories met and the agreement was updated through the addition of two new amendments covering SCA's commitment to creating awareness on blood-borne viruses and an undertaking by SCA to consult with its employee organisations on any outsourcing plans. The next meeting of the parties will take place in 2011.



# Health and Safety

The provision of a safe working environment for its employees is paramount for SCA. Accordingly, the Group continuously monitors safety performance at company facilities around the world and works to eliminate potential risks in the workplace.

SCA's efforts with regard 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. The SCA Health and Safety Policy (available on [www.sca.com](http://www.sca.com)) applies to all SCA employees and locations. Around 90% of the total workforce is represented in health and safety committees.

SCA utilises the concept of a management system for working with occupational health and safety issues. Onsite, the management systems include comprehensive safety awareness training, targets, risk identification, continuous moni-

toring of performance, and employee representation on joint health and safety committees.

These management systems provide a framework that allows SCA sites to consistently identify and address health and safety risks, reduce the risk for accidents, achieve compliance with its health and safety goals, ensure continuous improvement of its safety performance and reduce downtime.

New employees undergo a thorough safety induction programme and each year, first-aiders and fire fighters are trained at all SCA production sites.

## Safety performance

SCA continuously measures and reports on the following key performance indicators for all operations, with the aim of reducing the number and severity of accidents in the workplace:

- Number of Lost Time Accidents (LTA)
- Days Lost due to Accidents (DLA)
- Accident Severity Rate (ASR)
- Incidence Rate (IR)
- Frequency Rate (FR)
- Fatalities

## A PROFITABLE CULTURE OF SAFETY

Accidents at SCA's Östrand mill are prevented through an active culture of safety. This work is based on the premise that safety is not about campaigns, but about creating a culture of safety.

Erik Sjöblom, Production Engineer, sees the effects in his daily contact with operators. The most noticeable change is the continuous improvement in the reporting of incidents, which forms the basis for the safety work.

"The system enables all users to view the status of incidents, meaning whether measures have been taken, have commenced, or have not yet been initiated to rectify the problem. Each week, the list is examined at meetings, and awareness in general has improved – no one questions the use of reflective jackets or safety footwear anymore," says Erik Sjöblom.

If someone trips over a hose, a written report is prepared. During safety rounds, which take place every six weeks, operators from other departments participate to view the working environment with fresh eyes.

The growing awareness of safety has resulted in many specific actions in daily operations. A switch lock is always fitted as soon as a machine is shut down. This prevents the machine being activated if, for example, an electrician has returned to the distribution plant or if a mechanic is working inside the machine.



Production Engineer Erik Sjöblom demonstrates how a switch lock is always fitted as soon as a machine is shut down.

The number of accidents is measured using Lost Time Accidents (LTA), which is the total number of accidents that causes an employee to miss his or her next regularly scheduled work day/shift. 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).

The trend over the past number of years shows a distinct decline in the number of accidents, but the severity of accidents (ASR) has tended to increase. 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.

The Group reduction in Incident Rate indicated a 12.5% decline, however, the Accident Severity Rate rose by approximately 19%. The two tragic fatalities during the year affects the ASR since each fatality adds 365 Days Lost to the statistics.

One of the accidents occurred at the Lilla Edet mill in Sweden. When an employee was about to

make adjustments to a machine, it started and crushed the employee to death. Since then, the machine has been rebuilt, all machines of the same type in the Group have been examined to see if they need to be rebuilt and competitors have been informed of the accident via CEPI.

The second fatality occurred at SCA's paper mill in Monterrey, Mexico. The employee by-passed the safety procedures in place and failed to secure his personal protection equipment. The employee climbed up to the factory's roof, stepped through it, and fell 10 metres to the ground. He subsequently died from his injuries. Since the incident, access to the roof has been restricted and training has been conducted.

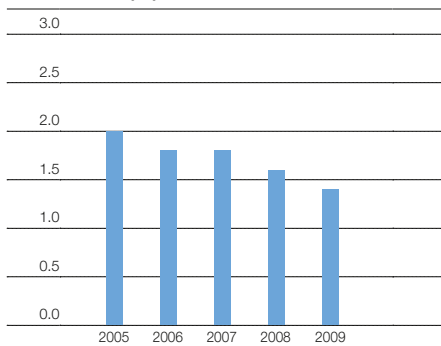
In response to these two fatalities, SCA is implementing an intranet-based information sharing system across Business Groups on critical accidents that will include incident description, preventive actions taken, recommendations to other SCA sites and contact for further information.

#### Risk analysis

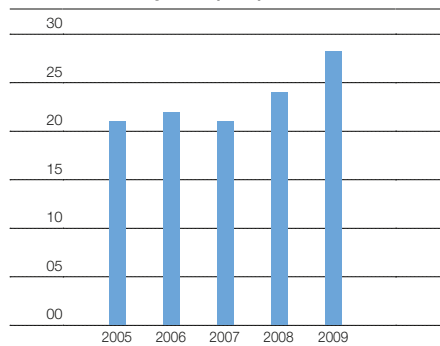
Continuous monitoring of safety performance using key safety indicators is an important part of SCA's commitment to employee health and safety and forms the basis of risk identification and continuous improvement.

Dangerous occurrences and minor accidents that do not result in absence from work are also

Incident Rate (IR)



Accident Severity Rate (ASR)



Safety statistics

	2009
Lost Time Accidents	564
Days Lost	15,947
Accident Severity Rate	28.3
Incident Rate	1.4
Frequency Rate	7.3
Fatalities	2

More safety statistics on page 64.

tracked, since ongoing focus on these has been shown to result in the occurrence of fewer accidents and injuries. The tracking of such incidents is helpful in identifying situations that may potentially lead to more serious accidents, and could therefore be prevented – the example at SCA's Östrand mill is a case in point (see page 41).

#### Implementation of SCA's Policy on Blood Borne Viruses

Blood-borne viruses (BBVs) within the workplace are a health and safety risk and must be managed in the same way that the company manages every other health and safety hazard. It is important to undertake a risk assessment to identify any employees that are at increased risk of BBV exposure. Once the hazard has been identified and the risk quantified, control measures should be put in place, training undertaken, personal protective equipment identified and issued and an appropriate audit process installed. This may involve a medical assessment or immunisation programme, where appropriate.

#### H1N1, The New Influenza

The outbreak of influenza that began in Mexico in 2009, also known as Swine flu, has resulted in a pandemic with community-level outbreaks in numerous countries across several regions. Although H1N1 may not be as severe a pandemic

as originally envisioned, the social and economic impacts of the current outbreak have been evident. As a consequence, SCA has reviewed company policies on travel, hygiene, and healthcare support to ensure they are consistent with guidance from national health authorities. SCA has also re-evaluated its crisis management plans and developed business interruption plans.

#### Examples of programmes to increase employee awareness:

In 2008, SCA Americas launched an employee wellness programme because good health benefits both personnel and the company. The programme offered a range of options, including assistance to get into better shape, lose weight, reduce stress, improve energy levels, quit smoking, reduce cholesterol and blood pressure, and manage chronic illness. Over the past two years, 1,700 employees have participated in the programme.

In 2009, SCA conducted health screenings and health risk assessments at all of its US plants. Aggregate information gathered from the screenings is used to determine future wellness programmes. From January through June, SCA conducted a weight-loss challenge for all US employees. 306 employees completed the challenge and lost a total of 630 kilos (3,181 pounds).

#### BOWLING GREEN FACILITY WENT FOUR YEARS WITHOUT AN LTA

On 15 October 2009, the SCA Bowling Green facility in the US had successfully worked four calendar years without a Lost Time Accident. This safety milestone was made possible by each team member placing a high level of importance on their personal safety and the safety of those they work with on a daily basis.

Over the past four years, Bowling Green has taken a very proactive approach to managing safety and meeting its commitment to provide all of its team members, visitors and contractors with a safe and secure workplace. Proactive tools, including computer-based training modules, safe behaviour management programmes, hazard identification and correction, and safety awareness programmes, are designed and implemented to increase overall safety awareness, thus reducing exposure to potentially unsafe activities and conditions.



# Community involvement

SCA's contribution to the well-being of the communities in which it operates is ensured through careful consideration of the economic, environmental, ethical and social implications of its activities. It is an integral part of the way SCA conducts business.

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

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

In 2009, SCA developed a formal sponsorship policy to better manage this ongoing and positive commitment. The policy will be implemented on a Group-wide basis.

## Focus on educating young women

SCA's feminine care products provides the company with 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.

In Russia, SCA sponsors educational lectures for teenage girls at their secondary schools. Trained psychologists speak to the young women about physiological and emotional changes during puberty, and educate them about menstruation and hygiene protection.

One of the objectives of the Libresse School Programme is to help young girls feel more empowered in life by providing them with important information about puberty, and showing them that Libresse understands young women and their needs. Launched in Moscow in 2006, the Libresse

School Programme has since spread to 14 other major Russian cities, effectively reaching out to 600,000 girls in over 4,400 schools.

Libra, SCA's Australasian feminine hygiene brand, recently commenced a direct mail-out campaign to schools in Australia and New Zealand to increase awareness of Libra's educational programme (consisting of a resource kit and downloadable educational materials). The direct mail campaign is part of SCA's overall youth strategy of increasing awareness and understanding of the changes that come with puberty. Information is available not only for young women but also parents and teachers.

## A duty to speak out

Few talk about incontinence but millions are affected by it. Estimates put the number at 5 to 7% of the world's population. As the world's largest supplier of incontinence care products through the Tena brand, SCA is working actively to break the taboos that surround this condition.

In North America, SCA launched an advocacy programme with Men's Health Network, the leading men's health advocacy organisation, and Us TOO International, a nationwide prostate cancer support organisation. It supports activities to help spread awareness to men about the causes of and treatment solutions for incontinence and encourage them and their loved ones to start talking about incontinence issues.

The core elements of the programme include a co-branded educational website with Men's Health Network, [www.LockerTalk.com](http://www.LockerTalk.com), and an informational brochure about prostate cancer and incontinence with Us TOO. Since its launch, the programme has gained considerable attention, garnering more than 12 million media impressions on radio and in online and print media.

In 2009, SCA in North America also launched

an information campaign in the US to speak honestly and effectively to modern women about bladder weakness in a relevant way. The purpose is to help women understand they are not alone in experiencing the condition, and there are effective, contemporary options available that fit into their busy, active lifestyles.

The 2009 "Barrigas de Amor" (Love Bellies) trade fair in Lisbon, Portugal was sponsored by SCA's Tena brand. SCA's exhibition stand provided pregnant women with the opportunity to find out why pregnancy and child birth can cause bladder weakness and what they could do to avoid it.

## Supporting the fight against cancer

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.

SCA is a major supporter of cancer research and support services in Australasia. Since 2007, SCA has joined forces with Australia's Cancer Council to support its annual Daffodil Day event, raising over AUD 380,000 for the cause to date. In addition, SCA has been a sponsor of The Ovarian Cancer Research Fund (OCRF) since 2006, and committed AUD 100,000 in 2009 towards research into an early detection test for ovarian cancer. SCA's support also extends to raising awareness of the disease and the OCRF via special advertising campaigns, and all Libra packaging carries the silver ribbon logo.

More than 1,700 people took part in Newcastle's first "Walk the Walk" in August, sponsored by Quilted Velvet, SCA's tissue brand in the UK. Over the course of the day, more than GBP 2,500 was raised for breast cancer charities.



**Other examples of community involvement during the year:**

- SCA tissue brand Tempo supports Wateraid, an organisation dedicated to improved hygiene in poor countries. From November 2009 to February 2010, 10 cents from every Tempo pack sold in Germany were donated to Wateraid. The initiative generated 200,000 EUR in total.
- Through its Away-From-Home brand Tork, SCA awarded environmental education grants totalling more than USD 25,000 to 13 schools and non-profit organisations in the US. SCA Tissue North America also donated USD 15,000 to help the non-profit hunger-relief organisation Feed America First, which is active in Tennessee, Mississippi and Alabama, and USD 5,000 to the Paper Discovery Center, a non-profit organisation that provides young people and their families with the opportunity to explore the world of paper and the role it plays. SCA Americas' headquarters donated USD 2,800 to the American Red Cross.
- The Australian bushfires in 2009 were ranked among the worst natural disasters the country has ever experienced. The fires destroyed at least 1,831 homes and 450,000 hectares of land and claimed 181 lives. SCA donated AUD 60,000 in cash to the 2009 Victorian Bushfire Fund for immediate critical relief for bushfire victims and also AUD 40,000 of products, including toilet paper, feminine hygiene products and disposable plates, cutlery and napkins.
- In 2009, a Pacific Tsunami caused terrible devastation, with Samoa being one of the hardest hit areas. SCA has a number of Samoan employees and immediately began providing assistance in the form of a special campaign in New Zealand whereby NZD 0.05 from every pack of Purex sold was donated directly to the Red Cross to help Samoa rebuild. The Purex initiative raised between NZD 30,000–35,000 for the Red Cross.

**SCA AND OXFAM NOVIB SUPPORT HYGIENE PROJECTS IN SUDAN**

SCA is driving a social responsibility project in southern Sudan together with Oxfam Novib, a non-governmental organisation dedicated to fighting poverty. Poor hygiene remains a serious threat to people's health and well-being in many countries. In southern Sudan, one in seven children under the age of five dies, mainly from diarrhoea. One of the causes is the shortage of toilets and hand-washing facilities.

"21 years of civil war has displaced millions of people in the south of the country. Now people are trying to rebuild their lives, and schools are starting up again," says Chantal Klijnhout, Marketing Manager for hygiene products at SCA in the Benelux. "But hygiene conditions are still extremely inadequate."

SCA has decided to support the following projects:

- Edet, SCA's consumer tissue brand, supports the construction of pit latrines at a minimum of 55 schools in Sudan.
- Tork, SCA's Away-From-Home tissue brand, supports the building of rainwater-harvesting systems at schools to make clean water available so children can wash their hands after visiting a latrine. SCA will also provide soap and fund hygiene education.
- SCA's feminine care brand Libresse and incontinence care brand Tena are each supporting a project aimed at women in Sudan and Niger, respectively.



In cooperation with the welfare organisation Oxfam Novib, SCA conducts a number of hygiene-related projects in Sudan and Nigeria.



# Our economic agenda

- Create value for our stakeholders.
- Efficient production and lower costs.
- Solid, long-term business relationships.
- Develop production in harmony with our operating environment.
- Contribute to increased economic prosperity.





# Long-term financial value creation

Sustainability efforts are of key importance to SCA's ability to attract customers, employees and investors. From an owner perspective, sustainability initiatives help to increase the value of the company.

## Creating value for shareholders

SCA creates value for shareholders through dividends and share price appreciation. Normally, about one third of the operating cash flow, after interest expenses and taxes, over a business cycle is used for dividends. During the past ten years, the dividend has increased by an average of 5% annually. The Board has proposed a dividend of SEK 3.70 for 2009.

In 2009, the SCA B share rose 43% to SEK 95.45. The Nasdaq OMX Stockholm index increased 47% during the corresponding period. SCA's market capitalisation increased to SEK 62bn (47). Viewed over a five-year period, the SCA share has demonstrated stronger performance than comparable industry indexes, but weaker than the Nasdaq OMX Stockholm index.

At year-end 2009, SCA had 81,846 registered shareholders. The largest owners are AB Industrivärden, Handelsbanken and SEB Funds and Life Assurance.

SCA's net sales in 2009 amounted to SEK 110,857m (110,449). Profit before tax improved 28% to SEK 8,004m (6,237), excluding items affecting comparability.

In a harsh economic environment, 2009 was a relatively successful year for SCA. This was mainly due to the stable hygiene business, which was not impacted to any significant degree by the recession. In terms of earnings, the tissue business in particular performed favourably due to an improved product mix, higher prices, lower raw-material costs and synergy effects.

Packaging comprises products that are more sensitive to fluctuations in the economy. During the year, demand in this area was weak and prices declined, which negatively impacted profitability.

Forest Products reported improved earnings despite a difficult market.

SCA strives to develop and launch innovative products with high-value content in all segments.

The company also seeks to strengthen its positions in its European home market and expand in prioritised growth markets such as Eastern Europe, Russia, Latin America, Southeast Asia and the Middle East.

SCA has established financial targets where the Group shall achieve a return on capital employed of 13%.

## Largest shareholders

	% of votes	% of shares
AB Industrivärden	29.1	9.8
Handelsbanken*	13.5	4.8
SEB Funds and Life Assurance*	5.8	2.4
Skandia	3.7	1.1
Alecta	2.8	3.3
Swedbank*	0.9	2.2
Third Swedish National Pension Fund	0.9	1.1
Nordea Funds	0.9	0.7
Second Swedish National Pension Fund	0.8	1.2
Government of Norway	0.6	1.5

\* Including funds and foundations

## Key figures

	2009		2008		2007	
	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>
Net sales, SEKm/EURm	110,857	10,466	110,449	11,532	105,913	11,456
Operating profit	8,190	773	8,554	893	10,147	1,098
Operating profit <sup>1)</sup>	9,648	910	8,554	893	9,847	1,066
Operating margin, %	7		8		10	
Operating margin, % <sup>1)</sup>	9		8		9	
Profit before tax, SEKm/EURm	6,546	618	6,237	651	8,237	891
Profit before tax, SEKm/EURm <sup>1)</sup>	8,004	755	6,237	651	7,937	859
Profit for the year, SEKm/EURm	4,830	456	5,598	584	7,161	775
Profit for the year, SEKm <sup>1)</sup>	5,906	557	5,598	584	6,908	748
Earnings per share, SEK	6.78		7.94		10.16	
Earnings per share, SEK <sup>1)</sup>	8.32		7.94		9.80	
Cash flow from current operations per share, SEK	16.36		5.42		6.42	
Dividend, SEK	3.70 <sup>3)</sup>		3.50		4.40	
Strategic investments incl. acquisitions, SEKm/EURm	-3,082	-291	-4,873	-509	-5,887	-637
Equity, SEKm/EURm	67,906	6,577	67,252	6,147	64,279	6,792
Return on equity, %	7		8		11	
Return on equity, % <sup>1)</sup>	7		9		12	
Debt/equity ratio, multiple	0.60		0.70		0.58	
Average number of employees	49,531		51,999		50,433	

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> For exchange rates see page 50 in the Annual Report.

<sup>3)</sup> Proposed dividend.

**Increased impact of non-financials**

In the past, sustainability reports were mainly of interest to SRI analysts (Socially Responsible Investment) in their assessments of companies, even though “traditional” investors have always taken non-financial factors into consideration, such as the ability of management. However, the recent financial crisis has highlighted the weakness of applying traditional indicators alone and the necessity to introduce ESG (Environment, Social, Governance) performance indicators in assessments.

Fresh surveys conducted by SAM, among others, show that companies that integrate ESG in their environment are more successful than other “conventional” companies, particularly in

markets exposed to competition. For example, Société Générale assesses companies’ risk in the area of ESG and the capacity of management to address sustainability issues. These are compared with the companies’ P/E ratios, which reveal a correlation between high sustainability risk and low P/E ratio.

This has sparked a growing interest among financial analysts in sustainability factors. In a survey conducted by Ethical Corporation, 90% of investors said that environmental and social factors are important in the valuation of a company.

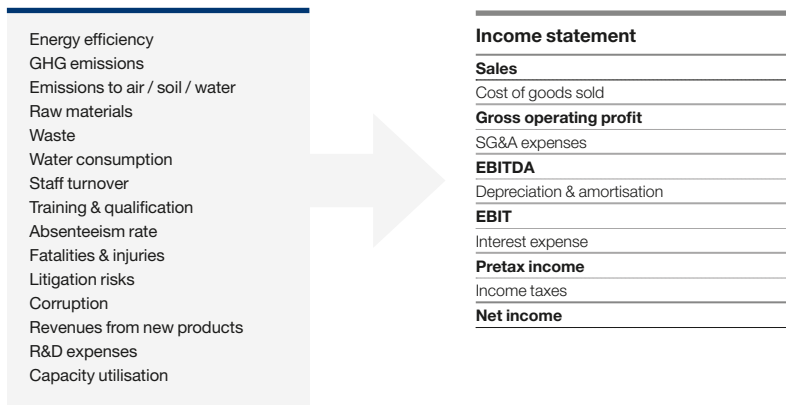
One reason for the lack of interest among traditional analysts in ESG factors is that they are often not quantified and comparable. This is being changed through the development of key

performance indicators (KPIs) and reporting methods, an area in which GRI is becoming the foremost standard.

The ESG factors of principal importance vary among companies and sectors, but a number of key factors are shared by the majority of companies, such as energy efficiency, emissions of greenhouse gases, water consumption, personnel turnover, training, average age of workforce, Lost Time Accidents, possible disputes, corruption and revenues from new products.

The table below displays non-financial factors that impact companies’ growth and profitability. It shows that non-financial information has a direct impact on such valuation methods as P/E ratio or EV/EBITDA.

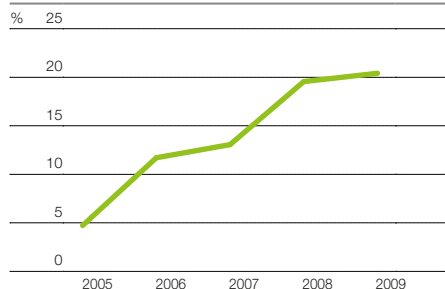
**Impact of non-financials on company valuation**



Derived from work by EFFAS, The European Federation of Financial Analysts Societies.



**Percentage of SCA shares owned by investors with sustainability screening**



Source: European Business School

### Increased proportion of SRI investors

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. The proportion of investors who examine SCA from a sustainability perspective amounted to slightly more than 20% at the time of the latest survey (2008). This corresponds to an increase of 15 percentage points since 2004. 73 European sustainability funds have SCA in their investment portfolios.

SCA is assessed annually by several ranking institutes. During 2009, the company was once again included in the Dow Jones Sustainability Index – both the Dow Jones STOXX Sustainability Index and the Dow Jones Sustainability WORLD Index – which are two of the world’s most prestigious sustainability indexes. SCA is one of only four Swedish companies included in the two indexes.

Since 2001, SCA has been listed on FTSE-4Good, an 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, and the research company Oekom Research AG. SCA has achieved pass status in the Orange SeNSE Fund, which is a fund of European companies that meets stringent sustainability criteria. SCA is also included in the OMX GES Nordic Sustainability Index, which was launched in 2008 by the Nasdaq OMX Exchange in collaboration with GES, an ethics analysis company.

There was substantial interest in SCA by SRI (Socially Responsible Investment) parties in 2009. SCA regularly holds meetings and keeps in contact with them as part of its investor relations work.

### Sustainable enterprise remains a competitive tool

Sustainability issues are gradually developing from a distinguishing feature to a hygiene matter. Customers now take sustainable products for granted and are not prepared to pay more for them. Despite this, sustainable enterprise remains a competitive tool. To live and act in a sustainable manner is no easy task, but requires genuine commitment and know-how.

### GRAPHOVERDE A RAY OF HOPE IN A WEAK MARKET

Last year, deliveries of SC paper in Europe declined by 9% at the same time as SCA recorded an increase of nearly 50% in sales of its SC quality GraphoVerde, a paper with a high proportion of recovered fibre.

In 2009, only 82% of the European production capacity for SC paper was utilised. In a declining market, GraphoVerde was a shining exception and sales surpassed already high expectations.

“Our technology development has reached such a high level that we can produce paper of excellent quality using a high proportion of recovered paper,” says Mark Lunabba, President SCA Graphic Laakirchen. “GraphoVerde fills an entirely new product position that did not exist earlier in terms of quality and price.”

Production of GraphoVerde requires less wood and electricity and generates lower emissions of carbon and other environmentally damaging substances than other high-quality magazine paper.



In a declining market, SCA’s sales of GraphoVerde SC paper increased by nearly 50% in 2009. GraphoVerde is a paper with a high proportion of recovered fibre.

The past few years have been characterised by a sharp rise in interest in sustainability among the Group's customers. In contract negotiations, customers increasingly ask questions and make demands that primarily relate 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) made from 100% recovered fibre. 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 add value to a product.

In 2009, SCA's feminine care brand Libresse launched "Eco Actions" as a means of communicating SCA's environmental achievements and commitment in feminine care to European customers and consumers. This website provides inspiration about how simple lifestyle changes can be beneficial for the environment. The website was launched in the UK, Netherlands, Sweden, Norway, Denmark, Finland, France, Italy, Hungary and the Czech Republic.

SCA's Libero brand for baby diapers also launched Eco Actions on its website in the Nordic countries. The parents of newly born infants are among the most discerning categories of consumers and they want to protect the environment for the future of their children. SCA's incontinence brand Tena will launch Eco Actions for its assortment in 2010.

In 2009, Libero launched a new range of diapers in the smallest sizes and labelled with the Nordic Ecolabel. The ecolabel criteria includes environmental performance and safety for raw materials, production and products.

Libero also launched a range of skincare products for children and babies. All products carry the Nordic Ecolabel and are non-scented and product safety tested.

In 2009, Edet Soft Eco and Edet Cuisine Eco, tissue produced from 100% recovered fibre, were

launched by SCA in the Nordic region. The packaging used for the Edet Eco range is made entirely from bioplastic manufactured from the renewable raw material maize. The environmental profile of the paper resulted in a test of the toilet paper onboard SJ's (Swedish State Railway) high-speed X2000 train at the end of 2009.

#### **Investments yield more efficient operations**

Over the past five years, SCA has made major investments that have generated considerable improvements in both efficiency and environmental performance. When investments are made, their environmental effects are also taken into account. During the period 2005 to 2009, investments totalled SEK 43bn.

In 2009, SCA decided to upgrade an energy plant at the liner mill in Aschaffenburg, Germany, which will reduce emissions of nitrogen compounds (NOx) at the same time as boosting energy efficiency at the mill. The investment will total SEK 635m and be completed in 2011.

#### **Economic implications of climate change**

One effect of climate change on SCA is the company's 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 surplus in Phase 2 is roughly the same size and will generate a surplus of approximately 200,000 tonnes annually.

The financial value of one emission right (corresponding to one tonne of carbon dioxide) has fluctuated considerably over the years and the average 2009 price amounted to 13 EUR/tonne. SCA's sales from sold emission rights amounted to about SEK 50m.

The emission rights system also affects SCA through increased electricity prices.

Europe's efforts to comply with the Kyoto Protocol and reduce emissions of fossil fuels have led to a rise in 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.

# Creating value for stakeholders

Through its business operations, SCA helps to create economic prosperity in society and economic development among its stakeholders – both directly and indirectly.

SCA provides its customers with products and purchases materials and services from its suppliers. Wages 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's operations in emerging markets help these regions to develop economically through SCA's interaction with local stakeholders, such as employees and local suppliers.

## Customers

SCA delivers high-quality products to its customers – products that fulfil their needs. Customers consist primarily of large companies, even though consumers are the principal end users of SCA products.

Net sales in 2009 amounted to SEK 110,857m (110,449). Of this amount, 75% was generated in Europe, SCA's primary market. The largest markets in terms of sales are Germany, the UK and the US.

The Group's growth occurs primarily in markets in Asia, Latin America and Eastern Europe/Russia, which grew by 9% in 2009. Sales in all of SCA's emerging markets account for 18% of the company's total sales, compared to 7% in 1999.

In line with the Group's growth strategy, SCA acquired Algodonera Aconcagua, one of the largest feminine care companies in Argentina, in 2009. The acquired company is also active in the areas of baby diapers and incontinence care. The acquisition was implemented by the Group's Colombian joint-venture company.

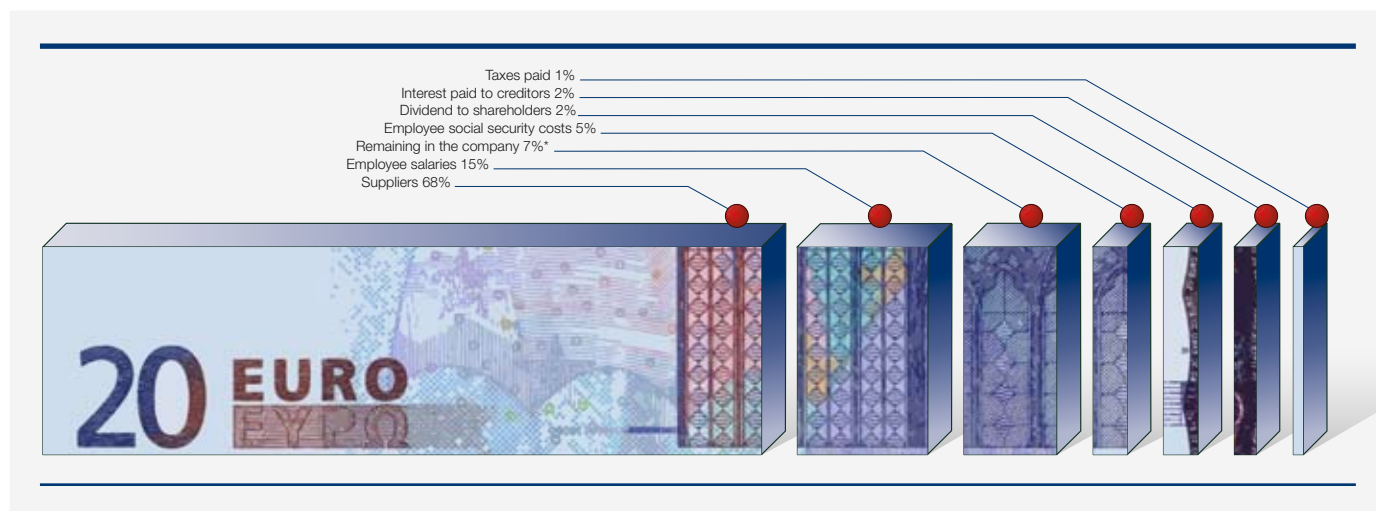
## SCA's cost distribution in 2009 allocated by stakeholder

		SEKm
Suppliers	Purchase of goods and services	74,327
Employees	Salaries and social security costs	21,470
Lenders	Interest paid	1,644
State	Taxes	1,003
Shareholders	Dividend	2,498

## Net sales, SEKm

(10 largest countries)	2009	2008
Germany	15,661	15,453
UK	10,015	11,995
US	9,222	8,216
France	9,045	9,102
Italy	7,334	7,809
Sweden	7,051	7,309
Netherlands	5,526	5,323
Spain	5,198	4,810
Denmark	3,239	3,460
Australia	2,992	2,699

## Cost distribution by stakeholder 2009



\* Current expenditures, restructuring costs, strategic investments and acquisitions.

### Affordable products

The number of people living in poverty in the world is declining and a growing number of people can afford to spend money on something other than life's bare necessities. Hygiene products are one of the first products people decide to buy if given the opportunity and, in emerging markets, SCA is primarily active in the hygiene product area.

In several countries, such as Colombia and Costa Rica, SCA works with affordable products. These comprise products that are manufactured in a basic style and in packs that usually contain fewer products to make them cheaper and affordable, even for people living on a day-to-day budget. Products are often sold in small "mom and pop stores" situated in inaccessible areas, which means that many companies choose not to deliver to them due to the high distribution costs involved. In Costa Rica, SCA's revenues from such micro-stores account for a full 45% of sales.

### 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 to guarantee high quality as well

as financial stability for both parties. For many suppliers, SCA is an important income source. In 2009, SCA purchased raw materials and services for a total of SEK 74,327m (79,942). SCA is a large company and, as such, aims to achieve economies of scale, particularly in terms of sourcing. 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 Germany 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 to which they belong.

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

## STARBUCKS CHINA USES TORK NAPKINS

At the beginning of 2009, Tork secured the contract to provide dispenser napkins to 150 Starbucks outlets in northern and southern China. In the past, napkins were stacked loosely on cabinets at Starbucks outlets, which led to overconsumption.

"We provide Starbucks with a much more cost-efficient solution that reduces napkin consumption by at least 20%," says Vincent Jin, AFH China Key Account Manager.

SCA's sustainability track record was one of the main reasons that the company was awarded the contract.

"Starbucks takes a proactive stance in caring for the environment," said Jessica Chen, purchaser at Starbucks in Shanghai. "We are very pleased that the products offered by Tork are environmentally friendly and that all the pulp used is FSC certified."

Starbucks is the world's largest chain of coffee shops and has opened more than 350 outlets in 26 cities in China since 1999.



SCA's sustainability activities were one of the main reasons that Tork secured the contract to supply tissue to Starbucks in China.



## Employees

SCA has 49,531 employees to whom it pays wages. As a principle, the Group pays competitive remuneration to its employees and this approach is applied to all markets. SCA follows local wage structures, assuming that these terms are not below internationally established rules for minimum salaries and reasonable compensation.

In 2009, employee salaries totalled SEK 16,596m (15,226), and social security costs amounted to SEK 4,874m (4,074).

SCA has both defined-contribution and defined-benefit pension plans. The most significant defined-benefit plans are based on the period of employment and employee salaries at, or just prior to, retirement. The total net cost for pensions in 2009 amounted to SEK 651m (190). For further information, see Note 26 in the SCA 2009 Annual Report.

SCA employees should be offered the opportunity to develop in terms of competence as well as financially within the company. The Group invests significant resources in competence development to strengthen employees' abilities to build a career within SCA. In 2009, SCA invested a total of SEK 246m (153) in employee competence development, or nearly SEK 5,000 (3,400) per employee.

SCA is the dominant employer in certain regions, which means that the company is a highly influential player. This places increased responsibility on SCA. For many employees in emerging markets, employment at SCA can be an important financial guarantee for them and their families. In 2009, SCA employed 15,929 people in Eastern Europe, Asia and Latin America, who received wages totalling SEK 1,428m.

SCA takes a positive view of local management in each country. As a rule, the existing management is retained following an acquisition, since they are deemed to have the best knowledge of local conditions. At the same time, SCA is an international company that encourages its employees to test employment in other countries. Diversity and a variety of experience contribute to the dynamics and development of the company.

## Society

By paying taxes in the countries in which it is active, SCA contributes to national economies and to economic prosperity. In 2009, SCA paid SEK 1,003m (1,702) 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.

## Salary costs, SEKm

(10 largest countries)	2009	2008
Germany	3,133	2,752
Sweden	2,746	2,497
US	1,502	1,175
Netherlands	1,173	977
UK	1,054	1,360
France	1,008	936
Italy	882	800
Austria	807	750
Denmark	673	654
Belgium	467	413



# 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, transport 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 two new tissue mills. Two tissue mills and one containerboard mill are no longer part of the SCA Group or the RMS.

## Resources

This section describes SCA's use of raw materials, water, energy and transport in 2009.

### 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 collectors and users 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 Mm<sup>3</sup>.

### 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 co-generation 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 2009, SCA delivered 333 GWh of electricity to the national grid.

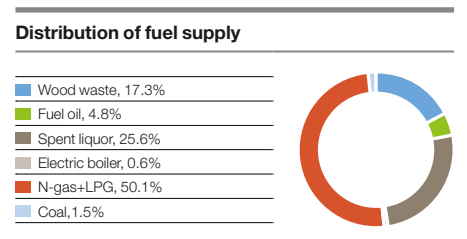
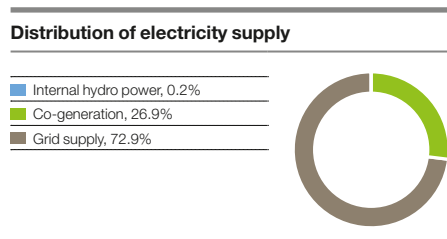
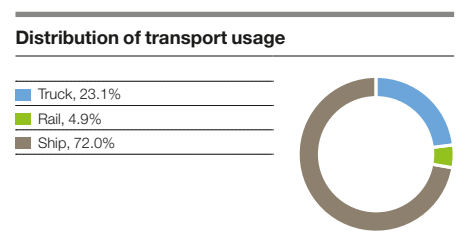
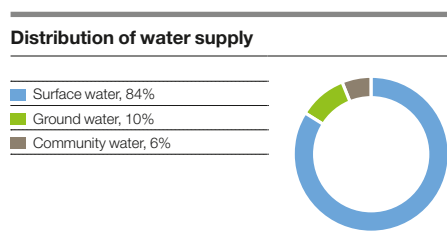
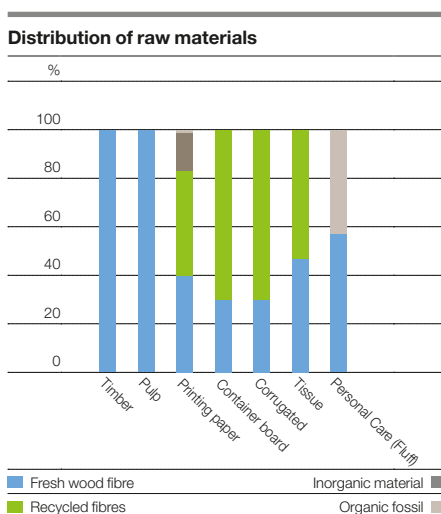
SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden. This is a good way of saving energy and in 2009, SCA delivered heat to district heating systems equivalent to 26,558 m<sup>3</sup> of fuel oil.

### Transport

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 transport. SCA's transport use is equivalent to 35.1 billion tonne-kilometres. Sea transport accounts for the greatest portion of SCA's transport and the remainder consists of road and rail. SCA's raw material and product transport use the equivalent of 12,585 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 metres, are shown in the tables that present Group emissions in 2007, 2008 and 2009.



*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<sub>x</sub>, SO<sub>2</sub> and fossil CO<sub>2</sub>.

The stated CO<sub>2</sub> 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 emissions from SCA's fossil fuel consumption corresponded to 2,579 ktonnes and purchased electricity to 1,771 ktonnes during the year.

*Air emissions from transport*

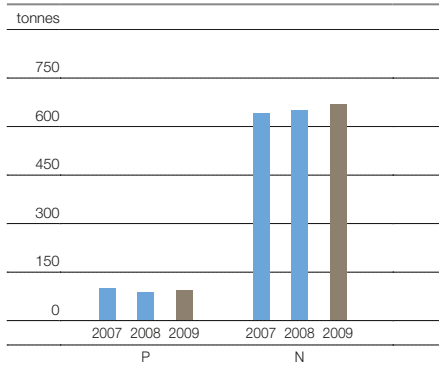
A large portion of SCA's air emissions is generated by transport, rather than the company's production activities. Transport emissions are not included in the tables "Raw materials, energy, and emissions" on page 58, but are presented in the diagrams below.

*Water emissions*

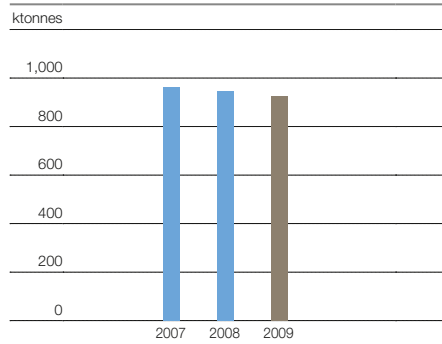
SCA's effluent water is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. The total volume of discharged process water is 124 Mm<sup>3</sup>. This water is treated using methods similar to those employed at municipal wastewater treatment facilities. The figures for 2009 refer to process water emissions.

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.

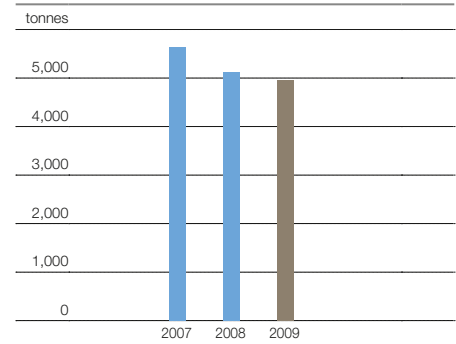
**Water effluents P, N**



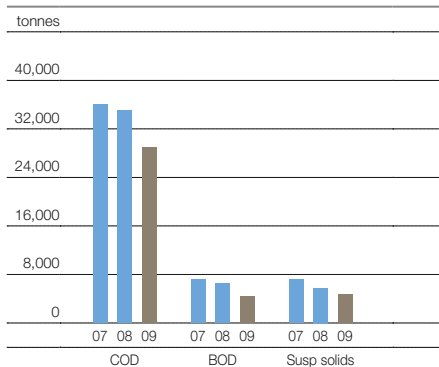
**Emission from transport, CO<sub>2</sub>**



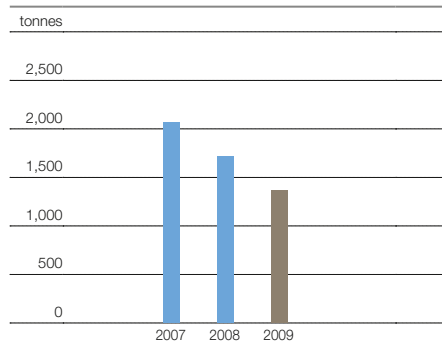
**Air emissions, NO<sub>x</sub>**



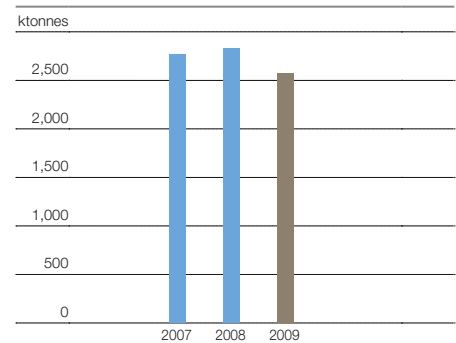
**Water effluents COD, BOD, and suspended solids**



**Air emissions, SO<sub>2</sub>**



**Air emissions, CO<sub>2</sub> fossil**





# Data tables

## Terminology

The notes below define the terminology used in the Group's 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-absorbents and adhesives calculated at 100% 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 hydropower** electricity produced in wholly 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 into 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 that 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 water courses after treatment.

**Landfill** solid waste material sent to a landfill.

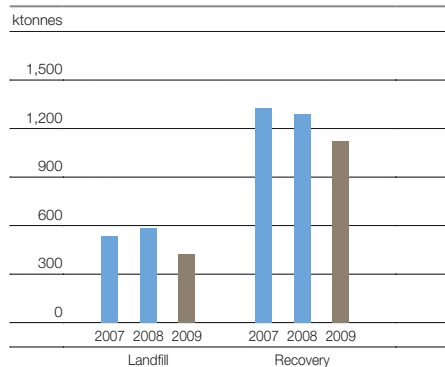
**Recovery** solid waste material recovered in an external process.

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

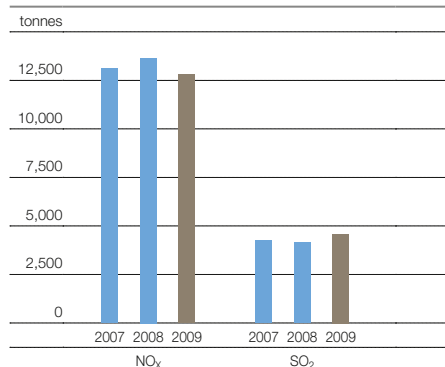
### Solid waste

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, NOx and SO2





## Raw materials, energy and discharges

		Forest Products		Packaging		Tissue Products		Personal Care		SCA Group Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Production</b>											
Paper and pulp	ktonnes	2,365	2,275	4,018	4,613	2,458	2,466			8,841	9,353
Personal Care products	ktonnes							525	560	525	560
Timber and solid-wood products	1,000m <sup>3</sup>	1,686	1,597							1,686	1,597
<b>1. Raw materials</b>											
Wood/sawmill chips*	ktonnes	3,214	3,187	638	727	394	436	0	0	4,246	4,349
Purchased pulp*	ktonnes	112	121	0	0	1,046	1,035	329	352	1,487	1,508
Purchased paper	ktonnes	0	0	0	0	53	72	0	0	53	72
Containerboard*	ktonnes	0	0	2,275	2,477	0	0	0	0	2,275	2,477
Recovered paper	ktonnes	908	870	1,491	1,823	1,634	1,717	0	0	4,033	4,410
Inorganic material	ktonnes	348	351	10	16	0	8	0	0	358	376
Organic fossil material	ktonnes	12	13	15	26	2	2	250	274	279	315
Water	Mm <sup>3</sup>	92	92	45	44	88	95	0	0	226	232
<b>2. Energy</b>											
<b>Electricity</b>											
Internal hydropower	GWhe	17	17	0	0	0	0	0	0	17	17
Co-generation	GWhe	1,260	1,307	705	647	449	512	0	0	2,414	2,466
Grid supply	GWhe	2,350	2,319	721	968	3,073	2,908	403	405	6,547	6,600
<b>Total</b>	<b>GWhe</b>	<b>3,627</b>	<b>3,643</b>	<b>1,426</b>	<b>1,615</b>	<b>3,522</b>	<b>3,419</b>	<b>403</b>	<b>405</b>	<b>8,978</b>	<b>9,082</b>
<b>Fuels</b>											
Biofuel	TJfuel	16,906	16,514	11,662	10,094	4,481	4,603	0	0	33,049	31,211
Fossil fuel	TJfuel	10,613	10,352	10,461	13,291	22,416	22,920	204	215	43,695	46,778
Electric boiler/hood	TJfuel	194	123	74	31	170	188	0	0	438	342
<b>Total</b>	<b>TJfuel</b>	<b>27,714</b>	<b>26,989</b>	<b>22,197</b>	<b>23,416</b>	<b>27,067</b>	<b>27,712</b>	<b>204</b>	<b>215</b>	<b>77,182</b>	<b>78,332</b>
of which co-gen.	TJfuel	7,307	6,617	3,796	3,264	2,565	3,136	0	0	13,668	13,018
<b>3. Discharges</b>											
<b>To air</b>											
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	1,483	1,527	1,574	1,563	1,881	2,026	20	21	4,959	5,138
SO <sub>2</sub>	tonnes	450	378	473	534	450	826	0	0	1,373	1,737
Dust	tonnes	214	91	123	167	173	277	0	0	509	535
CO <sub>2</sub> fossil	ktonnes	627	638	648	806	1,292	1,336	12	13	2,579	2,793
CO <sub>2</sub> biogenic	ktonnes	1,679	1,718	1,206	1,083	562	576	0	0	3,447	3,377
<b>To water</b>											
COD	tonnes	10,422	11,613	8,600	10,664	10,002	10,226	0	0	29,024	32,504
BOD	tonnes	723	910	2,295	3,359	1,340	2,331	0	0	4,357	6,600
Suspended solids	tonnes	371	470	2,467	2,338	1,928	2,987	0	0	4,766	5,796
AOX	tonnes	10	6	5	3	4	3	0	0	19	12
P	tonnes	24	27	40	32	27	27	0	0	91	85
N	tonnes	204	199	205	191	259	259	0	0	668	649
Effluent water	Mm <sup>3</sup>	39	38	24	28	62	63	0	0	124	129
<b>Solid waste</b>											
Landfill	tonnes	15,446	37,842	17,445	71,782	391,262	472,125	2,050	4,401	426,203	586,150
Recovery	tonnes	367,113	373,346	155,588	139,938	547,225	719,895	56,457	61,990	1,126,382	1,295,169
Hazardous	tonnes	28,580	37,626	1,106	1,308	816	1,081	22	18	30,524	40,033

\* Partly internal deliveries.

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

## Facts about the plants – Personal Care

		Mölnlycke Sweden	Falkenberg Sweden	Linselles France	Gennep The Netherlands	Hoogezand The Netherlands	Olawa Poland	Gemerska Hôrka Slovakia	Drummondville Canada	Bowling Green US	Selangor Malaysia	Springvale Australia	Auckland New Zealand	Calla Colombia	Ecatepec Mexico	Rionegro Colombia	Total Personal Care 15 factories
<b>2009</b>																	
<b>Grades</b>																	
<b>Production</b>	<b>ktonnes</b>	<b>4</b>	<b>74</b>	<b>44</b>	<b>82</b>	<b>93</b>	<b>31</b>	<b>27</b>	<b>31</b>	<b>29</b>	<b>56</b>	<b>6</b>	<b>6</b>	<b>18</b>	<b>10</b>	<b>15</b>	<b>525</b>
<b>Energy</b>																	
<b>Electricity</b>																	
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	49	29	36	85	23	32	24	21	36	10	5	16	19	13	403
<b>Total</b>	<b>GWhe</b>	<b>5</b>	<b>49</b>	<b>29</b>	<b>36</b>	<b>85</b>	<b>23</b>	<b>32</b>	<b>24</b>	<b>21</b>	<b>36</b>	<b>10</b>	<b>5</b>	<b>16</b>	<b>19</b>	<b>13</b>	<b>403</b>
<b>Fuels</b>																	
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fossil fuel	TJfuel	12	0	37	26	75	13	23	3	9	2	0.1	0	1	0	1	204
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>TJfuel</b>	<b>12</b>	<b>0</b>	<b>37</b>	<b>26</b>	<b>75</b>	<b>13</b>	<b>23</b>	<b>3</b>	<b>9</b>	<b>2</b>	<b>0.1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>204</b>
of which co-gen.	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Discharges</b>																	
<b>To air</b>																	
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	1.2	0	3.7	2.6	7.5	1.3	2.3	0.3	0.9	0.2	0	0	0	0.0	0.1	20
SO <sub>2</sub>	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 <sub>2</sub> fossil	ktonnes	0.8	0	2.1	1.5	4.2	0.8	1.3	0.2	0.5	0.1	0	0	0.1	0.0	0.1	12
CO <sub>2</sub> biogenic	ktonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0
<b>To water</b>																	
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 <sup>3</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Solid waste</b>																	
Landfill	tonnes	0	10.8	0	0	0	128	126	305	135	8	660	108	177	223	169	2,050
Recovery	tonnes	229	6,903	4,470	5,548	11,392	4,296	6,834	3,312	2,671	2,005	718	289	1,546	4,034	2,209	56,457
Hazardous	tonnes	0	2	0	0	0	0.4	6	6	3	0	0	0	0	1	2	22

## Facts about the plants – Tissue

		Edet Sweden	Jönköping Sweden	Drammen Norway	Prudhoe UK	Chesterfield UK	Oakenholt UK	Manchester UK	Stembert Belgium	Mannheim tissue Germany	Mannheim pulp Germany	Mannheim Total Germany	Kostheim Germany	Neuss Germany	Witzenhausen Germany	Friesland The Netherlands	Le Theil France	Orleans France	Ortmann Austria
<b>2009 Grades</b>		ti	ti	ti	ti	ti	ti	ti	ti,gp	bsi	ti,gp, pp,bsi	ti	ti	ti	ti,nw	ti	ti	ti	ti
<b>Production</b>	ktonnes	97	15	17	86	26	53	47	73	259	207	318	95	104	27	5	62	21	124
<b>Energy</b>																			
<b>Electricity</b>																			
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	0	0	0	0	0	0	0	0	198	53	251	28	0	0	0	0	0	83
Grid supply	GWhe	138	20	25	140	25	50	105	79	242	65	307	98	142	32	9	67	65	58
<b>Total</b>	GWhe	<b>138</b>	<b>20</b>	<b>25</b>	<b>140</b>	<b>25</b>	<b>50</b>	<b>105</b>	<b>79</b>	<b>440</b>	<b>118</b>	<b>558</b>	<b>126</b>	<b>142</b>	<b>32</b>	<b>9</b>	<b>67</b>	<b>65</b>	<b>140</b>
<b>Fuels</b>																			
Biofuel	TJfuel	476	70	0	0	0	0	0	0	0	3,935	3,935	0	0	0	0	0	0	0
Fossil fuel	TJfuel	192	58	77	1,013	230	445	679	510	3,355	672	4,027	962	708	176	34	332	338	1,351
Electric boiler	TJfuel	91	0	79	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	TJfuel	<b>759</b>	<b>128</b>	<b>155</b>	<b>1,013</b>	<b>230</b>	<b>445</b>	<b>679</b>	<b>510</b>	<b>3,355</b>	<b>4,607</b>	<b>7,961</b>	<b>962</b>	<b>708</b>	<b>176</b>	<b>34</b>	<b>332</b>	<b>338</b>	<b>1,351</b>
of which co-gen.	TJfuel	0	0	0	0	0	0	0	0	868	233	1,101	101	0	0	0	0	0	450
<b>Discharges</b>																			
<b>To air</b>																			
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	62	10	3	26	6	26	21	18	54	519	573	61	23	18	1	20	34	64
SO <sub>2</sub>	tonnes	1	1	0	2	3	2	0	0	13	245	258	4	0	0	0	0	0	0
Dust	tonnes	7	0	0	2	0	0	0	2	0	36	37	0	4	0	0	0	0	0
CO <sub>2</sub> fossil	ktonnes	13	4	5	57	13	25	38	29	127	100	227	54	40	10	2	19	19	76
CO <sub>2</sub> biogenic	ktonnes	61	7	0	0	0	0	0	0	142	352	494	0	0	0	0	0	0	0
<b>To water</b>																			
COD	tonnes	392	120	181	122	E/T	42	E/T	91	240	4,650	4,891	150	87	58	E/T	25	383	306
BOD	tonnes	88	38	N/A	6	E/T	6	E/T	36	61	250	311	10	6	18	E/T	8	80	31
Suspended solids	tonnes	87	19	68	20	E/T	5	E/T	6	43	176	219	1	5	0	E/T	1	161	46
AOX	tonnes	1	0	0	0	E/T	0	E/T	1	1	0	1	0	0	0	E/T	0	0	0.2
P	tonnes	1.0	0	0.7	0	E/T	0	E/T	0.2	1.0	4.5	5.6	1.3	0.3	0	E/T	0	0	1.7
N	tonnes	14.8	2.3	3.4	1.6	E/T	0	E/T	1.7	13.5	55.6	69.2	6.6	8.1	0.1	E/T	1.0	0	11.0
Effluent water	Mm <sup>3</sup>	3.29	0.48	1.23	2.11	0.45	0.39	0.97	0.70	3.80	12.80	16.60	1.54	0.82	0.03	0.14	0.42	0.64	3.44
<b>Solid waste</b>																			
Landfill	tonnes	22	7	12,205	7,013	1,944	0	515	131	341	0	341	0	3	1	0	0	0	0
Recovery	tonnes	48,283	19,874	17,220	88,013	33,709	3,439	7,004	4,037	23,707	31,193	54,900	79,577	3,710	411	1,957	4,321	118	105,727
Hazardous	tonnes	10	1	4	7	0	1	42	53	183	0	183	12	53	26	1	26	0	38

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

																				Total
Valls Spain	Mediona Spain	Svetogorsk Russia	Lucca 1 Italy	Collodi Italy	Altopascio Italy	Barton US	Flegstaff US	Menasha US	South Glens Falls US	Ecatepec Mexico	Monterrey Mexico	Uruguay Mexico	Lasso Ecuador	Pisa Chile	Cajicá Colombia	Medellin Colombia	Box Hill Australia	Kawerau New Zealand	Tissue Products 34 mills	
ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	
131	32	41	119	39	24	136	44	187	70	66	53	87	21	53	31	34	59	62	2,458	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	55	0	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	449
144	31	45	53	35	7	251	57	306	103	66	87	90	31	83	63	48	132	79	3,073	
144	31	45	108	35	39	251	57	306	103	66	87	90	31	83	63	48	132	79	3,522	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,481
705	236	330	1,242	261	411	1,263	366	1,473	631	503	478	501	198	553	301	434	877	525	22,416	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	170
705	236	330	1,242	261	411	1,263	366	1,473	631	503	478	501	198	553	301	434	877	525	27,067	
0	0	0	641	0	272	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,565
78	26	34	149	12	39	34	2	66	15	24	31	63	16	16	7	165	81	58	1,881	
0	0	0	0	0	0	0	0	0	0	0.1	0.1	0	32	1	0	143	1	0	450	
0	0	4	0	1	0	4	0	37	0	2	2	0	3	N/A	0	60	8	0	173	
39	13	18	70	15	23	71	20	82	35	28	27	34	15	41	17	36	49	29	1,292	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	562	
25	0	E/T	E/T	E/T	0	667	304	N/A	N/A	E/T	E/T	83	160	175	65	428	1,248	E/T	10,002	
N/A	0	E/T	E/T	E/T	0	49	9	59	180	E/T	E/T	58	68	35	39	163	44	E/T	1,340	
3	0	E/T	E/T	E/T	0	118	50	62	125	E/T	E/T	48	24	18	88	96	661	E/T	1,928	
0	0	E/T	E/T	E/T	0	0	0	0	0	E/T	E/T	0	0	0	0	0	0	E/T	4	
0.2	0	E/T	E/T	E/T	0	9.0	1.6	0	0	E/T	E/T	0.2	0.1	3.5	1.6	0	0	E/T	27	
1.1	0	E/T	E/T	E/T	0	52.1	0.5	44.8	0	E/T	E/T	1.8	0.9	17.5	3.4	8.9	7.8	E/T	259	
0.24	0	1.77	0.25	0.19	0.13	7.82	0.22	7.74	2.48	0	0	1.08	0.63	1.75	0.70	0.54	0.66	2.11	62	
260	71	7,393	152	220	121	131,144	533	16,934	0	463	48,542	70,879	18,079	43,081	26,265	2,099	730	2114	391,262	
7,908	2,048	2,025	1,225	336	640	0	27,155	2	2,399	367	836	0	161	1,609	9,864	17,945	163	239	547,225	
113	24	0	13	7	35	16	2	1	5	3	18	63	14	N/A	40	5	0	0	816	

## Facts about the plants – Packaging

		Munksund Sweden	Obbola Sweden	De Hoop The Netherlands	Aschaffenburg Germany	Witzenhausen Germany	Lucca Italy	Containerboard 6 mills	Corrugated board Europe 60 plants	Corrugated board Asia 17 plants	EPS Europe 12 plants	EPS Asia 8 plants	Total Packaging
<b>2009</b>													
<b>Grades</b>		kl, wtl	kl, tl	tl, fl	fl	tl, fl	tl, fl, wtl	fl					
<b>Production</b>	<b>ktonnes</b>	<b>328</b>	<b>368</b>	<b>301</b>	<b>331</b>	<b>329</b>	<b>261</b>	<b>1,919</b>	<b>1,850</b>	<b>232</b>	<b>8</b>	<b>9</b>	<b>4,018</b>
<b>Energy</b>													
<b>Electricity</b>													
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0	0	0
Co-generation	GWhe	178	135	111	142	131	2	700	5	0	0	0	705
Grid supply	GWhe	133	160	5	2	8	137	445	221	23	14	18	721
<b>Total</b>	<b>GWhe</b>	<b>311</b>	<b>295</b>	<b>116</b>	<b>145</b>	<b>139</b>	<b>139</b>	<b>1,145</b>	<b>226</b>	<b>23</b>	<b>14</b>	<b>18</b>	<b>1,426</b>
<b>Fuels</b>													
Biofuel	TJfuel	5,063	3,865	0	313	2,362	31	11,632	0	0	29	0	11,662
Fossil fuel	TJfuel	394	508	2,274	2,483	364	1,069	7,091	2,050	624	115	580	10,461
Electric boiler	TJfuel	74	0	0	0	0	0	74	0	0	0	0	74
<b>Total</b>	<b>TJfuel</b>	<b>5,531</b>	<b>4,373</b>	<b>2,274</b>	<b>2,796</b>	<b>2,725</b>	<b>1,099</b>	<b>18,798</b>	<b>2,050</b>	<b>624</b>	<b>144</b>	<b>580</b>	<b>22,197</b>
of which co-gen.	TJfuel	751	569	630	1,233	553	31	3,767	29	0	0	0	3,796
<b>Discharges</b>													
<b>To air</b>													
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	371	272	94	327	173	24	1,261	189	66	12	47	1,574
SO <sub>2</sub>	tonnes	66	103	0	1	6	0	176	142	88	37	30	473
Dust	tonnes	39	47	0	0	4	0	91	13	17	0	2	123
CO <sub>2</sub> fossil	ktonnes	33	40	127	139	21	60	420	121	51	7	49	648
CO <sub>2</sub> biogenic	ktonnes	527	408	0	34	234	3	1,206	0	0	0	0	1,206
<b>To water</b>													
COD	tonnes	3,118	4,158	253	222	219	162	8,133	383	85	0	0	8,600
BOD	tonnes	1,107	1,016	12	18	16	14	2,183	94	18	0	0	2,295
Suspended solids	tonnes	559	1,648	15	21	14	23	2,280	164	23	0	0	2,467
AOX	tonnes	3	2	0	0	0	0	5	0	0	0	0	5
P	tonnes	12.6	22.4	1.0	1.0	0.6	2.3	39.9	0	0	0	0	40
N	tonnes	44.0	114.2	7.0	8.8	6.0	24.8	204.8	0	0	0	0	205
Effluent water	Mm <sup>3</sup>	11.34	5.97	1.73	1.41	1.34	1.32	23.10	0.43	0.13	0.01	0	24
<b>Solid waste</b>													
Landfill	tonnes	2,618	415	12	0	0	9,650	12,695	3,196	1,352	190	12	17,445
Recovery	tonnes	12,519	42,473	20,709	24,516	24,833	21,110	146,160	4,071	5,184	86	87	155,588
Hazardous	tonnes	164	84	18	39	23	48	374	603	128	0	0	1,106

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



## Facts about the plants – Forest Products

						Total						
						Pulp and paper 4 mills	Forest operations 8 mills	Total Forest Products				
						Ortviken Sweden	Östrand Sweden	Laakirchen Austria	Aylesford UK			
2009			np, lwc	bk, ctmp	sc	np	solid-wood products					
Grades	ktonnes											
Production	1,000 m <sup>3</sup>	829	487	519	382	2,217	148	2,365				
						1,686	1,686					
<b>Energy</b>												
<b>Electricity</b>												
Internal hydro power	GWhe	0	0	17	0	17	0	17				
Co-generation	GWhe	75	423	411	351	1,260	0	1,260				
Grid supply	GWhe	1,886	63	220	7	2,176	175	2,350				
<b>Total</b>	<b>GWhe</b>	<b>1,961</b>	<b>486</b>	<b>648</b>	<b>358</b>	<b>3,453</b>	<b>175</b>	<b>3,627</b>				
<b>Fuels</b>												
Biofuel	TJfuel	2,691	12,419	0	231	15,341	1,566	16,906				
Fossil fuel	TJfuel	514	1,008	4,264	4,634	10,420	193	10,613				
Electric boiler	TJfuel	157	0	0	0	157	37	194				
<b>Total</b>	<b>TJfuel</b>	<b>3,362</b>	<b>13,427</b>	<b>4,264</b>	<b>4,865</b>	<b>25,918</b>	<b>1,796</b>	<b>27,714</b>				
of which co-gen.	TJfuel	333	1,782	2,306	2,885	7,307	0	7,307				
<b>Discharges</b>												
<b>To air</b>												
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	220	640	184	314	1,358	125	1,483				
SO <sub>2</sub>	tonnes	41	362	0	8	411	39	450				
Dust	tonnes	38	50	0	5	93	121	214				
CO <sub>2</sub> fossil	ktonnes	37	79	239	260	614	13	627				
CO <sub>2</sub> biogenic	ktonnes	269	1,298	0	22	1,590	90	1,679				
<b>To water</b>												
COD	tonnes	3,188	5,302	997	840	10,327	95	10,422				
BOD	tonnes	92	515	36	34	678	45	723				
Suspended solids	tonnes	164	81	27	87	359	12	371				
AOX	tonnes	2	7.9	0.2	0	10		10				
P	tonnes	3.2	15.0	3.5	1.9	24	0	24				
N	tonnes	65.0	126.0	4.9	8.3	204	0	204				
Effluent water	Mm <sup>3</sup>	11.56	14.47	7.29	5.30	39	0.10	39				
<b>Solid waste</b>												
Landfill	tonnes	596	31	0	11,094	11,720	3,726	15,446				
Recovery	tonnes	41,195	79,270	155,232	90,558	366,255	858	367,113				
Hazardous	tonnes	270	557	92	27,452	28,371	209	28,580				

Note: Aylesford increased 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

# Social data

	2009	2008	2007	2006	2005
Number of employees	49,531	51,999	50,433	51,022	51,916
of whom female, %	27	29	25	25	25
Employees leaving the company	5,768	7,511	6,852	7,397	5,154
Employees joining the company	3,832	6,255	7,202	6,327	4,860
Age distribution, %					
-20 years	2	3	2	2	2
21-30 years	20	20	19	23	18
31-40 years	29	29	30	29	31
41-50 years	29	29	29	28	29
51-60 years	18	17	18	16	18
60+ years	2	2	2	2	2
Employee turnover, %	12	14	-	-	-
Diversity:					
Nationalities, top 300 managers	27	28	31	26	25
Nationalities, top 1,000 managers	41	39	44	38	34
Female managers of top 300 managers, %	13	12	10	9	10
Female managers of top 1,000 managers, %	20	19	16	14	12
Academic degree or similar	15	13	15	13	12
Competence development, cost per employee	5,000	3,400	3,500	3,200	3,400
<b>Health and safety</b>					
Lost Time Accidents (LTA)	564	685	770	762	915
Days Lost (DLA)	15,947	16,181	15,812	17,428	18,969
Accident Severity Rate (ASR), %	28.3	23.7	20.5	22.3	20.7
Incident Rate, %	1.4	1.6	1.8	1.8	2.0
Frequency Rate (FR), %	7.3	8.5	9.5	9.8	11.7
Fatalities	2	0	3*	1	1
<b>Sick leave, Swedish companies, %</b>					
In total	3	4	4	5	5
Men	3	4	4	4	5
Women	4	6	6	6	6
Of which 60 consecutive days or more	45	45	48	58	59
Women, of total number of Board members and senior executives	18	14	14	14	14
<b>Code of Conduct</b>					
Business Practice Reviews	4 units, Russia	4 countries, Eastern Europe	N/A	N/A	N/A
Human Rights assessments			17 in China, Singapore, Malaysia, Costa Rica, Greece, Spain, the Czech Republic and Hungary	9 in China, Colombia, Malaysia, Mexico and Poland	2 plants in Russia

\* Two SCA employees and one entrepreneur.

# 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 second consecutive year, SCA has prepared its report in accordance with 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 a more detailed description is provided in the annual report's corporate governance section.

The content of the sustainability report focuses predominantly on issues that SCA and its stakeholders regard as important for the company and its environment.

## GRI

During 2009, SCA collected data on 30 social performance indicators recommended by the GRI Sustainability Reporting Guidelines. The GRI indicators cover SCA manufacturing operations and most office locations, but do not include centralised corporate functions or employees of joint ventures.

For the first time, the entire sustainability report has been reviewed by PriceWaterhouseCoopers. In the past only parts of the social and environmental data were reviewed. More detailed information about SCA's work on environmental and social issues is available at [www.sca.com](http://www.sca.com)

## Data collection

Data provided that relates to environment, health and safety at SCA's plants and mills refers to the 2009 calendar year. These figures include the SCA Group, wholly owned subsidiaries and subsidiaries in which 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 of the Group's CO<sub>2</sub> target and water target 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 55–57) 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 including 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.



# Global Reporting Initiative (GRI) Index

SCA's Sustainability Report for 2009 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 second 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	
<b>1. STRATEGY &amp; ANALYSIS</b>	
1.1 CEO's comments	SR 2–3
1.2 Description of key impacts, risks and opportunities	SR 18–19, AR 46–51
<b>2. ORGANISATIONAL PROFILE</b>	
2.1 Name of the organisation	AR 10+99
2.2 Primary brands, products, and services	AR 23, 27, 31, 35
2.3 Operational structure of the org.	SR 10–11 + AR 10
2.4 Location of organisation's headquarters	SR inside back cover + AR 10
2.5 Countries where the organisation is active	AR 75
2.6 Nature of ownership and legal form	AR 4–5
2.7 Markets	AR 24, 28, 32, 36
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
<b>3. REPORT PARAMETERS</b>	
<b>Report profile</b>	
3.1 Reporting period	SR 65 + AR 64
3.2 Date of most recent previous report	SR 65
3.3 Reporting cycle (12 months, 24 months, etc.)	SR 65
3.4 Contact person for questions regarding the report	SR inside back cover
<b>Report scope &amp; boundaries</b>	
3.5 Process for defining report content	SR 17, 65
3.6 Boundary of the report	SR 65
3.7 Specific limitations on the scope or boundary of the report	SR 65
3.8 Basis for reporting on joint ventures, subsidiaries, etc	SR 65
3.9 Data measurement and calculation principles	SR 55–57 + 65
3.10 Comparability with previous reports	SR 65
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	SR 55, 65
<b>GRI content index</b>	
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

4. GOVERNANCE, COMMITMENTS & ENGAGEMENT	
<b>Governance</b>	
4.1 Governance structure for the organisation	SR 10–11
4.2 The Chairman of the Board role in the organisation	AR 39
4.3 Independent and/or non-executive board members	AR 40
4.4 Methods for shareholders and employees to propose recommendations, etc. to the board	SR 10 + AR 39
4.5 Remuneration to senior executives	AR 73–74 (note 6) + 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 41 + sca.com
<b>Commitments to external initiatives</b>	
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 organisations	SR 14
<b>Stakeholder engagement</b>	
4.14 List of stakeholder groups	SR 13–17
4.15 Basis for identification and selection of important stakeholders	SR 13–17
4.16 Approach to stakeholder relations	SR 13–17
4.17 Key topics and concerns that have been raised through dialogues with stakeholders	SR 13–17
<b>5. ECONOMIC PERFORMANCE INDICATORS</b>	
<b>Disclosure on management approach</b>	AR 7–8 + 38
<b>Economic performance</b>	
EC1 Direct economic value and distribution	SR 51
EC2 Risks and opportunities for the organisation due to climate changes	SR 18, 50
EC3 Coverage of the organisation's defined benefit plan obligations	SR 53 + AR 89–90 (note 26)
EC4 Financial assistance received from government	AR 68
<b>Market presence</b>	
EC5 Range of ratios for standard entry level wage compared to local minimum wage	SR 53 + sca.com
EC6 Purchases from local suppliers	SR 52
EC7 Local hiring and proportion of senior management hired from the local community	SR 39 + sca.com
<b>Indirect economic impact</b>	
EC8 Infrastructure investments and services provided for public purposes	SR 44–45 + sca.com
EC9 Significant indirect economic impacts, including the extent of impacts	SR 44–45, 51–53
<b>6. ENVIRONMENTAL PERFORMANCE INDICATORS</b>	
<b>Disclosure on management approach</b>	SR 4–6, 8–11 + sca.com
<b>Materials</b>	
EN1 Materials used by weight or volume	SR 29, 55, 58
EN2 Recycled input materials	SR 29, 55, 58
<b>Energy</b>	
EN3 Direct energy consumption	SR 22, 55, 58
EN4 Indirect energy consumption	SR 22, 55, 58
EN5 Energy saved due to conservation and efficiency improvement	SR 22
<b>Water</b>	
EN8 Total water withdrawal	SR 55, 58

**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 56, 58
EN17 Other relevant indirect greenhouse gas emissions	SR 56
EN18 Initiatives to reduce greenhouse gas emissions	SR 4, 21–25
EN19 Emissions of ozone-depleting compounds	sca.com
EN20 NO, SO, and other significant air emissions	SR 56–58
EN21 Emissions to water	SR 56, 58
EN22 Waste	SR 57–58
EN23 Significant spills	sca.com

**Products & services**

EN26 Actions to reduce environmental impacts of products and services	SR 5, 21–30
EN27 Products sold and their packaging materials that are reused	SR 55 + sca.com

**Compliance**

EN28 Fines non-monetary sanctions for non-compliance with applicable laws	sca.com
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**Transport**

EN29 Environmental impact from transport	SR 56–57
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**7. SOCIAL PERFORMANCE INDICATORS**

<b>Disclosure of management approach</b>	SR 7–11 + sca.com
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**Employment**

**Employees**

LA1 Total workforce by function, employment type and region	SR inside cover + AR 75
LA2 Rate of employee turnover	SR 39, 64

**Labour/management relations**

LA3 Benefits provided to full-time employees	sca.com
LA4 Percentage of employees covered by collective bargaining agreements	SR 40
LA5 Minimum notice period(s) regarding operational changes	SR 40 + sca.com

**Health & safety**

LA6 Percentage of total workforce represented in health and safety committees	SR 41
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	SR 41–42
LA8 Programs to assist workforce regarding serious diseases	SR 43 + sca.com
LA9 Health and safety topics covered in formal agreements with trade unions	SR 40

**Training & education**

LA10 Average hours of training per year per employee	SR 38
LA11 Programmes for skills management and lifelong learning	sca.com
LA12 Percentage of employees receiving regular performance reviews	SR 39

**Diversity & equal opportunity**

LA13 Composition of governance bodies and workforce	SR inside cover + SR 39, AR 73, 75
LA14 Ratio of basic salary of men to women	sca.com

**Human rights**

**Investment & procurement practices**

HR1 Consideration of human rights in regard to investments	SR 8–9 + sca.com
HR2 Human rights in the supplier chain	SR 36
HR3 Training and education in human rights	SR 37

**Non-discrimination**

HR4 Total number of incidents of discrimination and actions taken	SR 36–37, 40
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**Freedom of association & collective bargaining**

HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	sca.com
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**Child labour**

HR6 Operations where there is a risk of incidents of child labour and actions taken	sca.com
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**Forced & compulsory labour**

HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	sca.com
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**Indigenous rights**

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	SR 14, 21 + sca.com
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**Society**

**Community**

SO1 Programmes for evaluating the operation's impacts on communities	SR 35 + sca.com
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**Corruption**

SO2 Business units analysed for risks related to corruption	SR 37
SO3 Employees trained in the organisation's anti-corruption policies and procedures	SR 37
SO4 Actions taken in response to incidents of corruption	SR 37

**Public policy**

SO5 Participation in public policy development and lobbying	SR 18, 25 + sca.com
SO6 Total value of financial contributions to political parties, etc.	sca.com

**Anti-competitive behaviour**

SO7 Total number of legal actions for anti-competitive behaviour	sca.com
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**Compliance**

SO8 Monetary value of fines for non-compliance with applicable laws	sca.com
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**Product responsibility**

**Customer health & safety**

PR1 Life cycle stages in which health and safety impacts of products and services are assessed	SR 33 + sca.com
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**Product & service labelling**

PR3 Product labelling and information	sca.com
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**Marketing communications**

PR6 Programmes for adherence to laws, standards and voluntary codes for marketing communications	sca.com
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**Compliance**

PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	sca.com
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# 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](http://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.



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

# Auditors' report on limited review of sustainability report

## To the readers of the Svenska Cellulosa Aktiebolaget SCA (publ) Sustainability Report

At the request of the management of Svenska Cellulosa Aktiebolaget SCA (publ), we have performed a limited review of the SCA Sustainability Report 2009. The board of directors and executive management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

### *The scope of the limited review*

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) standard RevR 6, Assurance of sustainability reports. A limited review consists of making inquiries, primarily of persons responsible for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially more limited 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 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.

The criteria used in performing our review are relevant parts of the Sustainability Reporting Guidelines G3, issued by the Global Reporting Initiative (GRI), applicable to the sustainability report, and specific measurement and reporting principles developed by the company. We consider these criteria to be suitable for the preparation of the sustainability report.

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

- a. An update of our knowledge and understanding of SCA's organisation and activities
- b. Assessment of the results of the company's stakeholder dialogue
- c. Interviews with management, at group level and at selected business units, with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient
- d. Examination of internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient


- e. Evaluation of the design of systems and processes used to obtain, manage and validate sustainability information
- f. Analytical review of reported information
- g. Reconciliation of financial information against SCA's Annual Report 2009
- h. Assessment of the company's stated application level according to the GRI guidelines
- i. Overall impression of the sustainability report, and its format, considering the information's conformity with applicable criteria
- j. Reconciliation of the reviewed information against sustainability information in SCA's Annual Report 2009

## Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, February 24, 2010

PricewaterhouseCoopers AB



Anders Lundin  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert member FAR SRS







# Glossary

**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<sub>2</sub>, 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<sub>2</sub>.

**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 CO<sub>2</sub> 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. CO<sub>2</sub> 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.

**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 CO<sub>2</sub> 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 decisionmaking 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.



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