



SCA Sustainability Report  
2011



*Creating value for  
people and nature*

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## About this report

SCA publishes a separate sustainability report each year. The report describes the environmental, social and economic perspectives of SCA's sustainability initiatives, and is aimed at specialist audiences with an interest in SCA's sustainability performance, including analysts, investors and 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 environment and anticorruption. The Global Reporting Initiative guidelines, level A+, are applied in this report, and the GRI content index (pages 70-71) provides a cross-reference to the indicators included in the report. The entire report has been reviewed by PwC. All data in this report has been collected over the calendar year 2011, and covers the SCA Group, including wholly and majority-owned subsidiaries. For further information regarding the sustainability report and its reporting principles, see page 67.

# SCA at a glance

SCA is a global hygiene and paper company that develops, produces and markets personal care products, tissue, forest products and packaging solutions\*\*. SCA has sales in more than 100 countries under many strong brands.

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

In 2011, SCA had annual sales of SEK 106bn and about 44,000 employees.



## Share of net sales (Share of Group)



Total Group: SEK 105,750m

## Share of operating profit (Share of Group)



Total Group: SEK 9,224m

Excluding items affecting comparability.

## Personal Care



The business area comprises three product segments: incontinence care, baby diapers and feminine care. Production is conducted at 29 facilities in 24 countries. Products are sold in more than 100 countries throughout the world.

## Tissue\*



Consumer tissue consists of toilet paper, kitchen rolls, facial tissue, handkerchiefs and napkins. In the Away-From-Home (AFH) tissue segment, SCA delivers complete hygiene concepts to companies and institutions. Production is conducted at 45 facilities in 18 countries. Products are sold in some 80 countries throughout the world.

## Packaging\*\*



SCA is a full-service supplier of packaging solutions and offers both transport and consumer packaging. SCA operates one innovation centre and 16 design centres. Production is conducted at about 110 facilities in 20 countries. Products are sold in 36 countries in Europe.

## Forest Products



Production comprises publication papers, pulp and solid-wood products, and is conducted at 18 facilities in three countries. Products are mainly sold in Europe, but also in Asia, North Africa and North America.

\* In November 2011, SCA announced the acquisition of Georgia-Pacific's European tissue operations, with annual sales of approximately SEK 12bn. The acquisition is expected to be fully completed during the second quarter of 2012.

\*\* In January 2012, SCA announced the divestment of the packaging operation – excluding the kraftliner mills in Munksund and Obbola, Sweden. The sale is expected to be fully completed in the second quarter of 2012.

Regarding the French part of the packaging operations, DS Smith has made a formal offer to acquire this business. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately.

Europe (including Africa)	2011	2010	Employee age distribution
Net sales, SEKm <sup>1)</sup>	81,300	81,773	% 50
Employees	32,408	33,363	40
Women, %	25	24	30
Salary costs, SEKm	12,600	12,619	20
Social security costs, SEKm	3,605	3,616	10
			0

Asia Pacific	2011	2010	Employee age distribution
Net sales, SEKm <sup>1)</sup>	8,291	8,884	% 50
Employees	3,251	3,998	40
Women, %	45	41	30
Salary costs, SEKm	988	1,041	20
Social security costs, SEKm	98	54	10
			0

Americas	2011	2010	Employee age distribution
Net sales, SEKm <sup>1)</sup>	16,159	16,308	% 50
Employees	8,038	7,980	40
Women, %	32	29	30
Salary costs, SEKm	1,458	1,994	20
Social security costs, SEKm	432	627	10
			0

SCA Group total	2011	2010	Employee age distribution
Net sales, SEKm <sup>1)</sup>	105,750	106,965	% 50
Operating profit, SEKm	3,548	8,677	40
Operating profit, SEKm <sup>2)</sup>	9,224	9,608	30
Earnings per share, SEK	0.78	7.90	20
Earnings per share, SEK <sup>2)</sup>	8.34	8.89	10
Employees	43,697	45,341	0
Women, %	27	26	0-20 21-30 31-40 41-50 51-60 60+
Salary costs, SEKm	15,046	15,654	
Social security costs, SEKm	4,135	4,297	

<sup>1)</sup> Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010.

<sup>2)</sup> Excluding items affecting comparability.

# Highlights 2011

- New sustainability targets and ambitions for people and nature take sustainability to the next level.
- New lime kiln at Östrand pulp mill in Sweden reduces carbon dioxide emissions from fossile fuels by 80%.
- Training campaign for SCA's Code of Conduct for all 44,000 employees across the globe.
- New supplier standard implemented in hygiene operation. All suppliers to comply with SCA requirements by 2015 at the latest.
- New, comprehensive wind power collaboration with Norwegian company Fred.Olsen Renewables with potential to generate 2 TWh.

## Recognition



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



SCA is included in Dow Jones Sustainability Index, one of the world's most prestigious sustainability indexes.



SCA is included in the Carbon Disclosure Leadership Index.



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



In WWF's Environmental Paper Company Index 2011 SCA scored best both in the tissue and containerboard categories.

SCA became a UN Global Compact member in 2008.



SCA is a member of World Business Council for Sustainable Development (wbcSD).



SCA is listed on the Global Challenges Index.



SCA is a constituent of the Kempen/SNS SRI Universe and is approved for inclusion in the Kempen Sense Fund.



SCA is a constituent of ECPI indices.



SCA is included in Nordic Sustainability Stars Sweden top 25.



SCA is included in OMX GES Sustainability Nordic and OMX GES Sustainability Sweden.

## We are raising our ambitions

It has been confirmed many times that SCA's sustainability work is world class. However, this is no reason for us to rest on our laurels, rather we must continuously improve and seek new, innovative approaches. During the year, we developed a number of sustainability ambitions and targets that will add to our value creation and make us even more successful.



We live in a changing world, giving rise to both challenges and opportunities. A long-term sustainability programme combined with customer and consumer insight and innovation provides us with a solid platform to leverage business opportunities and successfully tackle challenges.

Sustainability has long been embedded in SCA's way of working and in the Group's strategy for growth and value creation. It is the most sure-fire way to spark innovation, boost our competitiveness, strengthen our brand, win customers, and attract a talented workforce. In short, sustainability is a tool for achieving long-term growth while making a positive contribution to the environment and society.

Setting clear targets helps SCA deliver on its sustainability ambitions, a link we made even stronger in 2011. For our products and services to remain relevant for our customers and end-consumers, we need to not only meet but also exceed their expectations for more sustainable solutions that improve quality of life and contribute to the economies in which we operate.

### **Engine of innovation**

Innovation is central to SCA's growth going forward. Sustainability is a major engine in that process, in everything from how we manage forests to how we develop hygiene products and services from that resource.

We are harnessing innovation to achieve sustainability ambitions by tackling our climate change impacts on three fronts: setting targets to reduce carbon dioxide emissions, tripling the production of forest-based biofuels, and increasing investments in wind power. SCA Energy, part of the SCA Forest Products Group, is developing

our production of renewable energy, which will help make us less reliant on fossil fuels and open up an avenue for new business opportunities. In yet another example of sustainable value creation, in December 2011 our pulp mill in Östrand in Sweden made the switch to forest-based biofuels to power its new lime kiln, which will cut carbon dioxide emissions from fossil fuels by 80% a year.

Rising standards of living in a growing number of countries demonstrate that when people have more income they seek to improve their quality of life – and hygiene products are a top priority. Looking through a sustainability prism, we see that delivering high-quality products designed with care for nature are only part of the equation. In a country like China, with an aging population and inadequate health resources to meet its needs, incontinence care involves more than supplying products. It requires solutions that address the need for shared knowledge, specialised training and improved infrastructure – a holistic approach that paves the way for new business models in emerging markets.

#### **A long-term perspective**

Our employees engagement and commitment are key to the success of SCA and our sustainability initiatives. To think and act sustainably, from product development to how we communicate with our stakeholders, drives the business forward.

Sustainability means thinking long term and delivering results. The value of sustainability includes such areas as a significant cost reduction impact, from more efficient production and reduced material and energy costs, to the more

intangible returns that come from new contracts and lasting customer relationships. It is difficult to put a price on customer loyalty but it is one of the benefits that comes from sustainable value creation.

As a signal that we are on the right track, SCA finds inspiration from the many external acknowledgements of our approach. SCA is included in the Dow Jones Sustainability Europe Index. For the fourth consecutive year, we were ranked as one of the world's most ethical companies by the US-based Ethisphere Institute. SCA is also in the Carbon Disclosure Leadership Index, for corporate disclosure on greenhouse gas emissions and climate change strategies.

In 2008, SCA became a signatory to the UN Global Compact because it is a given for us to promote responsible business practices. With complex challenges before us, we certainly do not have all the answers. Pursuing sustainable value creation for long-term growth is, we believe, the most promising path forward.



Jan Johansson, President and CEO

“Setting clear targets helps SCA deliver on its sustainability ambitions.”

Jan Johansson, President and CEO

## Changing world, new opportunities

Global macro trends, ranging from population growth and rising living standards to pressure on resources and climate change, are rapidly changing the business landscape. Addressing these challenges offers opportunities for innovation and growth, and provides greater resilience in an uncertain future.

**Larger and greyer:** The global population will reach nine billion by 2050. We are also getting greyer; over the next ten years, the number of people over the age of 65 will increase by 33%. This creates demand for incontinence and other personal care products needed by an ageing population.

**Higher living standards:** Improved economic conditions around the world are presenting new possibilities for consumers, particularly in the emerging markets of Asia and Latin America. Those with less spending power want the same access to hygiene products, freedom of choice and level of well-being as those living in developed markets.

**Health and hygiene:** As health services struggle to meet increasing demands from ageing and growing populations, protecting health and hygiene through improved standards and better products becomes essential. The challenge of feeding a hungry planet underscores the need to reduce food waste and the importance played by the role of packaging in securing the safety of its contents.

**Energy usage:** Energy supply has become a strategic issue in most countries in the world. Global warming has led to a strong movement to replace fossil fuels with renewable energy.



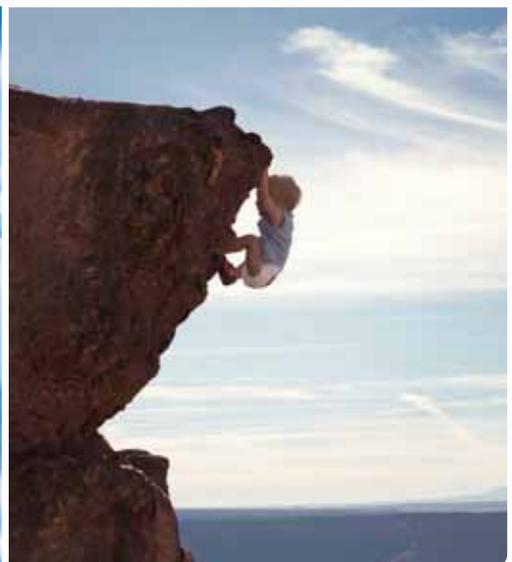
**Climate change:** The climate issue is one of the most critical environmental and social issues facing the world today. Governments are setting carbon reduction targets and the private sector is expected to play its part. This highlights the importance of efforts to reduce carbon emissions.

**Water scarcity:** By 2025, the UN predicts that two thirds of the world's population could be living in areas of water stress. Access to water is critical for industry, agriculture and food production.

**Forest stewardship:** Each year, about seven million hectares of land is deforested, or about 0.2% of all forested areas. Illegal logging and timber from controversial sources threaten the world's forests and biodiversity. It makes it of utmost importance to control the origin of wood raw material.

Sustainably managed forests not only constitute one of few renewable resources, growing forests also sequester carbon dioxide and mitigate climate change.

**Sustainable consumption:** Consumer lifestyles have a strong impact on the environment and society. A shift in attitude and behaviour is driving innovation of products, services and business models to meet demands for sustainable consumption. Smart packaging solutions reflect the shift from a throwaway to a back-to-nature society.



# The SCA Sustainability Effect

Care and respect for **people** and **nature** are absolutely central to SCA's way of working.

This is the lens we use to look at the world – from the big picture right down to the finer points of harvesting a forest, testing a new innovation or designing a new diaper.

It means we constantly challenge ourselves to deliver solutions that make a difference to everyday life. And we have found that it is amazing what you can achieve when living our values of respect, excellence and responsibility.



# Raising the bar on sustainability

Sustainability is an integral part of SCA's operations and the company's strategy for growth and value creation. In 2011, SCA raised the bar on its sustainability ambitions, further strengthening the link to the company's business strategy.

For SCA, sustainability is about creating value for people and nature – value that benefits customers and consumers, employees and shareholders, as well as the environment and the communities in which SCA conducts operations. The sustainability strategy is based on the company's core values of respect, excellence and responsibility, and represents a way of working that is deeply engrained in the company's DNA.

Sustainability is also a business approach; one that generates long-term shareholder value by embracing the opportunities and managing

the risks that arise from a strong focus on economic, social and environmental responsibility. Sustainability excellence contributes positively to business operations by strengthening competitiveness, reducing costs, making SCA an attractive investment and employer and strengthening the brand.

In 2011, SCA seized the opportunity to strengthen the link to the business by applying a strategy process that was future-oriented and that examined global trends and considered the views of internal and external stakeholders in

order to shape an outside-in perspective. The strategy process resulted in clearly defined ambitions and an increased number of targets (see page 8–9), underscoring the growing business case for sustainability. While the ambitions describe the long-term vision, the targets are specific and measurable and represent the milestones on the road to achieving the ambitions. Measurability is prioritised at SCA to promote transparency, meet stakeholder expectations and to drive the sustainability programme forward.

New targets and KPIs will be added as the sustainability strategy evolves, while other targets that have already been achieved will be finalised. This approach will create value, drive innovation and further integrate sustainability into business operations.

## People ambitions

We build our position as one of the most trusted companies in the world, delivering sustainable growth and value for our stakeholders.

We improve hygiene standards worldwide with our hygiene solutions. For the millions of existing users of our products and services, and for the billions of people in emerging markets, we develop innovative solutions that make it easier to live healthy, sustainable lives.

We support women's empowerment and their freedom to participate fully in society – socially, educationally and professionally – across the world by giving them access to and education about hygiene solutions.

We drive resource efficiency through our packaging solutions by securing product protection and content integrity in the distribution chain, at the same time supporting brand and consumer communication.

## Nature ambitions

We deliver sustainable solutions with added value for our customers based on safe, resource-efficient and environmentally sound sourcing, production and development.

We combat climate change and minimise our impact on the environment through a combination of new innovations and technologies, efficiency gains, consumer initiatives and carbon sequestering in our forests.

We care for the forests with all of their biodiversity and we are committed to managing and utilising them responsibly. We aim to maximise the benefits our forest have on our ecosystem, climate, customers and society, through a combination of innovation, efficiency gains and wise and long-term management.



# Making it count

In 2011, SCA extended the number of sustainability targets to create a stronger link to the business and to fully capture the value derived from strong economic, social and environmental performance.

Sustainability targets demonstrate how ambitions are met on the ground. The targets on these pages are considered the most relevant to SCA's business and its stakeholders, and reflect the drivers with the greatest influence on the company's future growth.

Targets are about accountability. They aim at measuring how a number of factors contribute to social and environmental responsibility. From the people perspective, this includes implementing strong health and safety stand-

<p>Sustainable innovations</p> 	<p>Hygiene solutions</p> 	<p>Code of Conduct</p> 	<p>Employee Health &amp; Safety</p> 
<p><b>TARGET</b></p> <p><b>1.</b> We will deliver better, safe and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the whole life-cycle for new innovations.</p>	<p><b>TARGET</b></p> <p><b>2.</b> We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. In markets in which we operate we will:</p> <ul style="list-style-type: none"> <li>• Provide information on hygiene matters around our products and services</li> <li>• Strive to implement education programmes for girls, women and caregivers</li> <li>• Strive to offer the best value for consumers making hygiene solutions affordable to everyone</li> </ul>	<p><b>TARGET</b></p> <p><b>3.</b> Our SCA supplier standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by 2015.</p> <p><b>4.</b> We will maintain compliance with our SCA Code of Conduct. All our employees will receive regular training in the code.</p>	<p><b>TARGET</b></p> <p><b>5.</b> Our aim is zero work place accidents, and we will decrease our accident frequency rate by 25% between 2011–2016.</p>
<p>pages <b>20–21</b></p>	<p>pages <b>23–24</b></p>	<p>pages <b>42–45</b></p>	<p>pages <b>46–48</b></p>



ards, improving knowledge of and access to better hygiene solutions, raising supplier standards and holding employees to the requirements of the SCA Code of Conduct.

From the perspective of nature, the targets track how SCA delivers sustainable solutions that provide added value for customers from safe, resource-efficient and

environmentally sound sourcing, production and development, and how the company minimises its impact on the environment and contributes to climate change action. A combination of innovation, efficiency gains and long-term management are part of the strategy for reaching these targets.

<p>Climate &amp; energy</p> 	<p>Fibre sourcing &amp; biodiversity</p> 	<p>Water</p> 
<p><b>TARGET</b></p> <ol style="list-style-type: none"> <li>1. We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.</li> <li>2. We will triple our production of biofuels from our forests by 2020, with 2010 as reference year.</li> <li>3. The production of wind power on SCA forest land will increase to 5 TWh by 2020, with 2010 as reference year.</li> </ol>	<p><b>TARGET</b></p> <ol style="list-style-type: none"> <li>4. We will achieve and maintain our target of zero fresh fibre-based material from controversial sources*, including pulp and containerboard.</li> <li>5. We will preserve the biodiversity of our forests. A minimum of 5% of our productive forestland will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.</li> </ol>	<p><b>TARGET</b></p> <ol style="list-style-type: none"> <li>6. We aim to achieve water sustainability and we will reduce our water consumption in water-stressed regions by 10% by 2015, with 2010 as reference year.</li> <li>7. All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.</li> </ol>
<p>pages <b>28–31</b></p>	<p>pages <b>32–35</b></p>	<p>pages <b>36–38</b></p>

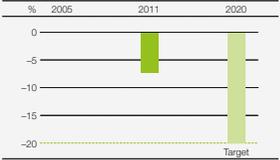
\* Controversial sources are defined as:

- 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.



# Delivery on existing targets

Establishing targets and following up results is a key part of SCA's sustainability programme. While a number of new sustainability targets were adopted last year, the Group already had four established long-term targets for carbon dioxide emissions, water usage, fresh fibre sourcing and Code of Conduct compliance. The results for 2011 for these four targets are presented below.

<h2>Climate &amp; energy</h2> 	<h2>Fibre sourcing</h2> 	<h2>Water</h2> 	<h2>Code of Conduct</h2> 
<p><b>TARGET</b></p> <p>We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by the year 2020, with 2005 as reference year.</p>	<p><b>TARGET</b></p> <p>We will achieve and maintain our target of zero fresh fibre-based material from controversial sources, including pulp and containerboard.</p>	<p><b>TARGET</b></p> <p>We aim for water sustainability and we will reduce our water consumption in water-stressed regions by 10% by the year 2015, using 2010 as a reference year.</p> <p>All SCAs pulp and paper mills will employ mechanical and biological water treatment plants by the year 2015.</p>	<p><b>TARGET</b></p> <p>We will maintain compliance with our SCA code of conduct. All our employees will be regularly trained.</p>
<p><b>OUTCOME 2011</b></p>  <p>At year-end 2011, carbon dioxide emissions had declined by 7.3% in relation to the production level.</p>	<p><b>OUTCOME 2011</b></p> <ul style="list-style-type: none"> <li>All deliveries of pulp to SCA's facilities meet the Group target.</li> <li>All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.</li> <li>SCA's packaging operation has control of the origin of more than 95% of the kraftliner used by the business unit.</li> </ul>	<p><b>OUTCOME 2011</b></p>  <p>By year-end 2011, water usage in water-stressed regions declined by 0.1%. Of the Group's pulp and paper mills, 43 are equipped with mechanical or biological wastewater treatment facilities.</p>	<p><b>OUTCOME 2011</b></p> <ul style="list-style-type: none"> <li>Launch of a new training campaign for Code of Conduct.</li> <li>Code of Conduct assessments were performed in Malaysia and Russia. Business Practice audits took place in Central America and Greece.</li> <li>Implementation of the global supplier standard in the hygiene operations.</li> <li>Development of corresponding standards in packaging and forest products operations.</li> </ul>
<p>pages <b>28-31</b></p>	<p>pages <b>32-34</b></p>	<p>pages <b>36-38</b></p>	<p>pages <b>42-44</b></p>

## Finding common ground

SCA continuously strives to improve dialogue with its stakeholders to address key areas of its business. The Group has daily contact with customers, consumers, suppliers, investors, NGOs and official bodies in order to integrate their expectations and views into the company's approach to doing business.

Open and continuous dialogue helps the Group gain an understanding of stakeholders' expectations and raises employee commitment, thus improving the long-term conditions for a successful business.

This dialogue is primarily conducted in the business units, since they have contact with customers, consumers, suppliers, local authorities and local NGOs. However, dialogue with investors and international NGOs, the EU commission and other important international or global stakeholders takes place at Group level. Many of the issues initiated by stakeholders are addressed in this report.

Stakeholder group	2010 activities	Key areas	How do we address the issues (page number)
<b>Customers</b>	Customer surveys Seminars	Carbon footprint Ecolabelling Human rights compliance Fibre sourcing	CO <sub>2</sub> target (28) Sourcing target (32) Code of Conduct assessments (43) FSC certification (35) Implementation of supplier standard (42) Life Cycle Assessments (31) Business Practice Reviews (43) Sustainability impact in customer relations (23)
<b>Consumers</b>	Consumer surveys Consumer research	Impact of products on people and nature, for example, carbon footprint, ecolabelling	LCAs including carbon footprint (31) Product Ecolabels (25) Eco actions ( <a href="http://www.libero.se/eco-actions">www.libero.se/eco-actions</a> , <a href="http://www.libresse.com">www.libresse.com</a> , <a href="http://www.tena.com">www.tena.com</a> ) Product safety (39) Chemicals (39) <a href="http://www.girls1st.se">www.girls1st.se</a> (13)
<b>Employees</b>	All employee survey Training	Talent management Performance management Workforce planning Compensation and benefits Corruption Health and Safety	Diversity survey (50) All employee survey (14) Job portal (49) Code of Conduct training (43) Tree Pool Project (55)
<b>Investors</b>	SRI questionnaires One-on-one meetings Telebriefings Analyst interviews Roadshows Field visit	ESG integration into business strategy Energy efficiency Risk management	CO <sub>2</sub> target (28) ESAVE (28) Risk analysis (AR 58) Code of Conduct Assessments and Business Practice Reviews (43) Inclusion in sustainability funds and indexes (20)
<b>Suppliers</b>	Supplier audits Supplier questionnaires	Raw material sourcing	Sourcing target (32) Supplier guidelines and standards (45) Supply chain assurance (45) Sedex reporting (45)
<b>NGOs</b>	Ongoing dialogue	Forest management CO <sub>2</sub> emissions Energy utilisation Water supply	Dialogue with NGOs, such as WWF and the Swedish Society for Nature Conservation (14) FSC commitment (14)
<b>Society</b>	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 (53) Sponsorship (53) Public affairs (14)

## Inspired solutions through dialogue

Dialogue and engagement with a wide spectrum of stakeholders adds value to the business, builds trust, and provides a vital outside-in perspective to help SCA better address areas of mutual concern.

Below are some examples of SCA's stakeholder dialogues.

### Customers

SCA has a broad product portfolio and therefore a diverse range of customers, both end consumers and customers, such as retailers, companies, distributors, printing houses, healthcare institutions, etc. With such a varied customer base,

relationships are managed by specific business units. In all cases, SCA seeks to meet or exceed customers' expectations and to gain insight into the issues that are important to them.

In order to gauge customers' assessments of SCA, customer satisfaction surveys are conducted and followed up by all business units. SCA Packaging in the UK conducted a survey in 2011 among 260 of its customers and published

the results on its website <http://www.scapackaging.com/c/industrial-uk>. Being transparent about strengths as well as weaknesses supports a culture of improvement.

More than 200 nurses and caregivers took part in the first TENA (SCA's incontinence care brand) Empowering the Elderly forum held in Kuantan, Malaysia. This was the first in a series of forums whose objective is to provide caregivers and the general public with basic knowledge in elderly care. They are organised jointly by TENA, the Malaysian Healthy Ageing Society and the department of medicine at the University Putra Malaysia.

## Hear it from our stakeholders

**Nick Sakiewicz, CEO and Operating Partner, Philadelphia Union and PPL Park**



"We're extremely proud to feature SCA's sustainable paper products at PPL Park. Environmental sustainability is very important to our organisation and our fans. We couldn't have a better partner to help us fulfill our responsibility to maintaining a green stadium."

(PPL Park is a football stadium located just outside Philadelphia, Pennsylvania in the US. PPL Park is home to the Philadelphia Union, a Major League Soccer club. PPL Park was one of SCA's first US customers to be equipped with the Tork Elevation line and also uses the full line of Tork Xpressnap dispensers).



**Pia Prytz Phiri, Regional Representative for UNHCR's (UN Refugee Agency) Regional Office for the Baltic and Nordic countries, Stockholm**



"The majority of forcibly displaced people in the world are women. Stripped of the protection of their homes, their government and often their family structure, females are often particularly vulnerable. As the global protector for refugees, an important part of UNHCR's work is to ensure women have equal access to protection, basic goods and services as they attempt to rebuild their lives. Supplying refugee women with sanitary material is of critical importance to their health and hygiene, productivity, well-being as well as dignity and confidence.

SCA was quick to respond to the appeal of the UN Refugee Agency for the massive and urgent needs in the Horn of Africa. In a few weeks' time only, 1.6 million sanitary pads donated by SCA were shipped from Europe and reached refugee women who had fled conflict and famine in Somalia.

UNHCR relies entirely on donations to assist our humanitarian relief efforts. With the backing of leaders in the business world such as SCA, we can restore hope, safety and dignity to millions of refugees.



### Consumers

In-depth consumer insight is crucial for business success and SCA has a well-developed system to achieving this. It includes quantitative market research as well as consumer visits in people's homes to learn about their lives and interests.

In 2011, SCA conducted an online reputation and brand survey in nine countries with 1,000 respondents in each country. It revealed relatively low knowledge of the SCA brand. Among those who were familiar with SCA, the company gained positive scores on care for the environment and ethical issues.

SCA's feminine care brand Libresse launched a global online communication platform, [www.girls1st.se](http://www.girls1st.se). It is a community dedicated to first time experiences – such as the first kiss, the first menstruation – and has largely been developed for consumer-generated content, interaction and sharing. One objective is to remove taboos surrounding the human body, relationships and teenage life in general.

In the US and Canada, TENA has introduced a conversation couch at events to encourage interaction with women and to provide a platform for discussing bladder weakness.

SCA's numerous consumer hot lines and complaints handling procedures also provide valuable input to the company's operations.

### Investors

SCA regularly meets with financial and SRI (Social Responsible Investors) investors at investor events, road shows and in one-on-one meetings. In 2011, SCA participated in SRI conferences in Paris and London. The Group also arranged for SRI analysts to visit its forest products operations in Sundsvall, Sweden.

### Camilla Nathhorst Odevall, European Socially Responsible Investments, Edmond de Rothschild Asset Management



“For investors looking particularly at ESG (Environmental, Social and Governance) issues, there are many reasons to be positive towards SCA. The company is responsive to environmental and social demands and has turned them into a competitive advantage.

The vast need for energy in the pulp and paper-making process made it natural for SCA to work on reducing costs and start evolving in line with environmental demands as early as the mid-1990s. SCA has continued to work on reducing its carbon footprint ever since. One of its largest projects is the realisation of six wind parks in a joint venture with Norwegian company Statkraft. Up to 400 wind turbines are planned on SCA land in the north

of Sweden. The renewable energy from these turbines will be sold both internally and externally by the joint venture.

External demand from NGOs on how to run SCA's forests was early recognised as a way forward. Adopting an environmentally friendly approach has since proven to be a highly effective marketing tool. Today, the majority of SCA's paper clients demand FSC (Forest Stewardship Council) certified products. SCA continuously audits its suppliers in such areas as the origin of the raw material, certifications, environmental performance etc. Through this process, SCA has reduced the number of pulp suppliers dramatically in recent years.

SCA is also aware of its responsibilities towards its staff on health and safety issues. It recognises that it needs to offer a challenging and rewarding working environment in order to recruit and maintain the best talent. Its anti-corruption work and commitment to product safety have given the company a high rating regarding stakeholder issues.

An area for improvement for SCA, finally, is in Corporate Governance. This could be achieved through a higher degree of independence of the Board of Directors and its committees, as well as the application of the one share – one vote principle.



### Carl Lindqvist, EWC (European Works Council) President, SCA

“The EWC structure that we have built up within SCA, with EWCs at both Business Unit and SCA level is a good set-up for information and consultation between management and employee representatives.

SCA has a long tradition of employee participation and compared with many other companies, the SCA-EWC agreement is in the forefront. However, it is important that we in this area, like in all parts of the business, strive for best in class. The dialogue and exchange of ideas and opinions are important.



### Employees

The 2011 Group-wide employee survey performed by SCA had a response rate of 82%. It showed a high level of employee engagement and commitment while leadership, innovation and customer orientation did not score quite as high. The results have been cascaded down in the organisation and the business units have developed specific action plans in areas identified for improvement.

### NGOs

SCA continuously engages in a dialogue with such NGOs as the World Wide Fund for Nature (WWF) and the Swedish Society for Nature Conservation (SSNC).

SCA participated actively at FSC's (Forest Stewardship Council) General Assembly in Indonesia. One topic on the agenda was the standard for Controlled Wood, meaning control requirements on wood raw material in products FSC certified as Mixed Sources. To ensure that no controversial wood is used in FSC-certified products, the Controlled Wood standard will be reinforced. This is significant for SCA, since the majority of its sales of FSC-certified products go under Mixed Sources. SCA participates in the working groups whose mission is to execute the decision.

In conjunction with the UN Climate Change Conference in South Africa, COP 17, SCA participated with accredited observer status. The conference offered valuable opportunities to interact with negotiators and other stakeholders.

SCA has been a member of the Global Compact since 2008 and participates in local networks such as the Global Compact Nordic Network.

### Society

SCA regularly conducts discussions with affected parties on matters that impact both broader societal challenges, and local communities.

Sami communities utilise a large part of SCA forestland in northern Sweden to graze reindeer. SCA engages in dialogue with the communities to facilitate the use of land that is shared by forestry and reindeer herding and consults regularly with the Sami communities before undertaking harvesting operations in the region where reindeer roam. SCA believes that it is important to engage

in constructive dialogue with the Sami communities and has taken the initiative to develop joint seminars intended to increase mutual understanding of the needs and priorities of the parties to aid long-term planning of land use.

China is faced with a challenge arising from the rapid aging of its population coupled with insufficient healthcare resources to meet the needs of the elderly. In late 2011, SCA organised a seminar under the title "Providing Health Through Effective Nursing for the Elderly" jointly with the Chinese Ministry of Health (MOH), in Beijing. Swedish Minister for Children and the Elderly Maria Larsson was invited to join leading Chinese experts to create a platform to share academic knowledge and practical experiences among experts from both China and Sweden. The aim of the exercise was to further strengthen the relationship with the Chinese MOH and to facilitate cooperation in the area of elderly healthcare between the two countries in the future.

Through a series of Hygiene Matters Reports, SCA aims to raise awareness of the connection between hygiene, health and well-being. In 2011, the focus of the report was "Women and Hygiene," a topic that is closely related to the Group's Personal Care business. The report was activated in the UK, Germany, China and France via PR campaigns and media events.

### Public affairs

Public affairs is supporting SCA to understand and position itself with the external environment. It may include consulting with governments, policy makers, non-governmental organisations and other stakeholders on future legislation and policy or monitoring changes in the business and external regulatory environments.

For issues of specific importance to the company, SCA works directly in cooperation with regulatory and public bodies. Examples include the wind power projects in central Sweden and engagement with healthcare systems to support the development of sustainable incontinence care programmes. For example, The World Health Organization (WHO) has classified incontinence as a set of diseases. An important consequence is that SCA's TENA products are classified as medical devices in the EU and other parts of the world and are therefore reimbursed by govern-

ments in many countries. This has important implications for how the company engages with purchasers and governments.

Another key area for SCA is energy and environmental policy and legislation. Given Europe as SCA's main market and the European Union's leading role in developing environmental regulation, the majority of the company's efforts are directed towards EU Institutions. The EU Emissions Trading System, the EU Waste Directive and emerging policies concerning sustainable consumption and production are some relevant topics.

SCA also works to actively communicate with decision makers in countries where new structures are being built. Examples include the development of new service models for elderly care and the prescription of incontinence care products in countries where such benefits were not offered in the past, for example in Eastern Europe and the Asia Pacific Region.

### Memberships

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 EUROOPEN (The European Organization for Packaging and the Environment) and is a representative in ECR Europe (Efficient Consumer Research). 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, PEFC International, 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), IWA (International Water Association), CGF (Consumer Goods Forum) and Eucomed (Medical Technology), the European branch organisation for incontinence products and other medical technology products. SCA is also active through the appropriate trade associations in standardisation activities in ISO (International Organization for Standardization), and CEN (European Committee for Standardization).

In 2012, SCA became a member of the World Business Council for Sustainable Development.

# Materiality analysis

In 2010, SCA conducted a materiality analysis to investigate the sustainability criteria that 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. The study was a repeat of the materiality analysis that SCA conducted in 2008 and the purpose was to see if any changes had taken place in the values of the stakeholders.

A total of 940 customers, suppliers, investors, media, NGOs and SCA employees participated 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.

Results in 2010 illustrate that internal and external interests largely coincide. The major

differences are within Biodiversity and Climate change, which external interests considered were more important than did internal, as well as in Management/employee relations and Workforce training and development, which the internal interests assigned higher priority than the external.

Human rights was the area valued highest by both groups in 2010 and this area was also valued

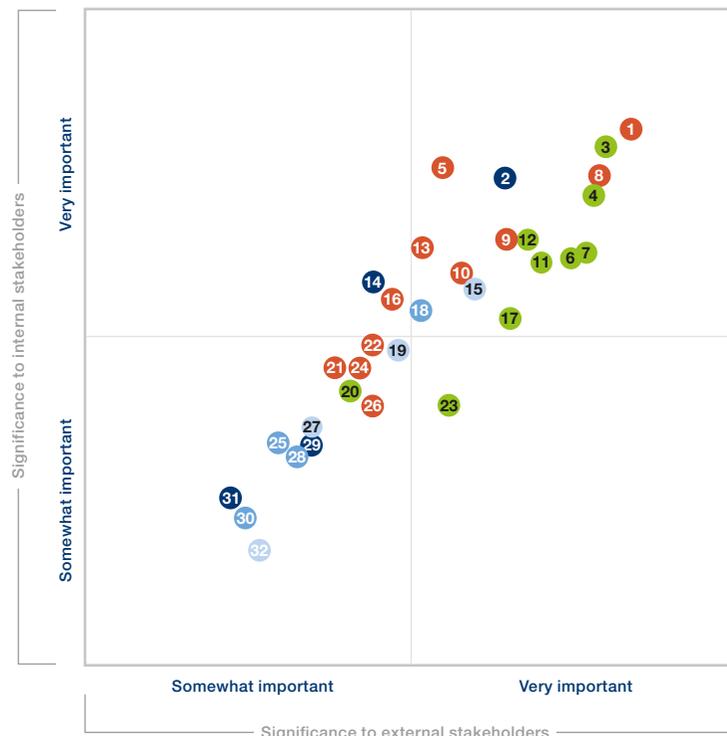
highest in the 2008 survey. Significant importance was also attached to Product quality and safety as well as Emissions to air and water in both surveys.

The greatest differences between the two surveys were in Occupational health and safety, which was considered significantly more important in 2010 than in 2008, and Environmental performance of products, which was weighted heavier in 2008 than in 2010.

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 future sustainability initiatives.

Topic	Category
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	●
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



A materiality analysis highlights the issues that stakeholders believe are important. In the analysis, stakeholders were divided up into internal (employees) and external (customers, suppliers, investors, media and NGOs). One conclusion is that the views of internal and external stakeholders are well matched.



*Tork helps SUNS kick sustainability goals*

Mettricon Stadium, home of Australian rules football club Gold Coast SUNS, aims to become Australia's greenest sports stadium. While solar panels account for 20% of the Stadium's energy requirements, the focus on sustainability stretches to every little detail. Tork's tissue solutions in toilets are a perfect fit for the concept. "SCA helps us to minimise our environmental footprint through sustainable production as well as recyclable products and packaging," says David Bennett, Mettricon Stadium Manager.

# Economic value creation

By conducting its business operations in a responsible way, SCA contributes to economic development in society and delivers greater economic value creation for its stakeholders.

The financial value creation generated by SCA benefits a range of stakeholders, both directly and indirectly: customers and consumers, through high-quality products; employees, through wages and other benefits; the state and municipalities, through tax revenues; suppliers, through payments for delivered goods and services, and shareholders, through dividends and share price appreciation. SCA's involvement in community projects contributes to local economies. As a major employer in many regions, SCA helps these communities develop economically.

Taking the long-term perspective of sustainability also delivers business value to SCA, by stimulating innovation in product development, strengthening the company's reputation and brand, building employee engagement and earning customer satisfaction.

Measuring the company's economic footprint is valuable to understand its impact and contribution to societies in which it does business. While some metrics are tangible, such as payment of taxes, and numbers of people employed, other aspects – such as the benefit of investment in skills and training – are more difficult to quantify. SCA also continuously develops new KPIs to capture more intangible assets.

SCA will continue to focus on ways to map its role in strengthening the economies in which it is present and to quantify the business value of sustainable value creation. This requires fresh thinking on new business models, already underway in some emerging markets. Leveraging new opportunities is a way to build on the value of SCA's knowledge and investments, and the contributions it makes to society locally and globally.

Sustainable innovations



pages **20–21**

Hygiene solutions



pages **23–24**

# Making the business case for investors

Sustainability is of increasing importance to investors, particularly those who screen for Environmental, Social and Governance (ESG) indicators, helping to build the business case for sustainability.

Sustainability offers a competitive edge and thereby creates lasting value for investors. For example, SCA's investments in environmentally efficient technology reduce production costs, strengthen relationships with customers who share the same priorities, and help to build long-term confidence among the Group's consumers. A prime example is the marked increase in demand for certified tissue products (FSC and/or PEFC) in recent years. Until about ten years ago, FSC-certified tissue products were largely unheard of, but today, they completely dominate the market in countries such as the UK. As one of the world's largest suppliers of FSC-certified products, SCA's ability to deliver certified products clearly enhances SCA's competitiveness.

## Non-financials rising in importance

Traditional indicators alone are insufficient to get a true picture of a company's value. ESG (Environment, Social, Government) performance indicators are therefore increasingly important in investors' assessments.

Surveys conducted by SAM (Sustainable Asset Management), among others, show that companies that integrate ESG in their business are more successful than companies who do not take such factors into account. This has sparked a growing interest even among mainstream financial analysts in sustainability factors, even if non-financial parameters are also included in traditional analyses. A 2011 report by KPMG found that the combined effects of the financial crisis, concerns about scarcity and the pricing of natural resources, and energy security were changing the way shareholders value the management of ESG as a driver of long-term business value.

A barrier for some traditional analysts is that ESG factors are often not quantified and comparable. This is changing through the development of key performance indicators (KPIs) and reporting methods, an area in which the Global Reporting Initiative (GRI) is becoming the foremost standard. Other ongoing initiatives include Intergrated Reporting, an approach to corporate reporting with the aim to demonstrate the link between an

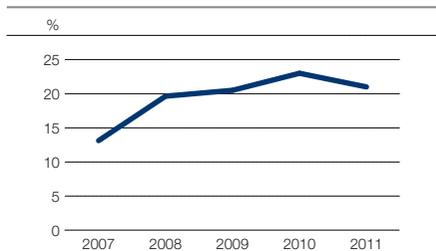
organisation's strategy, governance and financial performance and the social, environmental and economic context in which it operates.

## SRI investors: growing impact

Sustainability performance ranks high among investors in the SCA share. Major institutional investors (such as certain pension funds) often add environmental and social parameters to their risk analyses, 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 21% (23) at the time of the 2011 survey (covering 2010 data). SCA is included in 83 (87) European sustainability funds, making it one of the most frequently occurring companies in these funds.

SCA is assessed annually by several ranking institutes. The company has been included in the Dow Jones Sustainability Indexes (DJSI) four times during the last seven years. The DJSI are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes and SAM they provide asset managers with reliable and objective benchmarks to

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



Source: European Business School

About 21% of SCA shareholders have evaluated SCA in terms of its sustainability performance.

## Key figures (including the packaging operations held for sale)

	2011		2010		2009	
	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>	SEK	EUR <sup>2)</sup>
Net sales, SEKm/EURm <sup>4)</sup>	105,750	11,719	106,965	11,221	109,358	10,324
Operating profit, SEKm/EURm	3,548	393	8,677	911	8,190	773
Operating profit SEKm/EURm <sup>1)</sup>	9,224	1,022	9,608	1,008	9,648	910
Operating margin, %	3		8		7	
Operating margin, % <sup>1)</sup>	9		9		9	
Profit before tax, SEKm/EURm	2,258	250	7,561	794	6,546	618
Profit before tax, SEKm/EURm <sup>1)</sup>	7,934	879	8,492	891	8,004	755
Profit for the year, SEKm/EURm	607	67	5,592	587	4,830	456
Profit for the year, SEKm/EURm <sup>1)</sup>	5,920	656	6,281	659	5,906	557
Earnings per share, SEK	0.78		7.90		6.78	
Earnings per share, SEK <sup>1)</sup>	8.34		8.89		8.32	
Cash flow from current operations per share, SEK	9.09		10.53		16.36	
Dividend, SEK	4.20 <sup>3)</sup>		4.00		3.70	
Strategic investments, incl. acquisitions, SEKm/EURm	-2,893	-321	-2,920	-306	-3,082	-291
Equity, SEKm/EURm	61,291	6,857	67,821	7,538	67,906	6,577
Return on capital employed, %	4		8		7	
Return on capital employed, % <sup>1)</sup>	9		9		9	
Return on equity, %	1		8		7	
Return on equity, % <sup>1)</sup>	9		9		9	
Debt/equity ratio, multiple	0.60		0.51		0.60	
Average number of employees	43,697		45,341		49,531	

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

<sup>2)</sup> See footnote 1) on pages 69 and 73 in the Annual Report for exchange rates.

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

<sup>4)</sup> Net sales for SCA's recycling business were reclassified to other income, with retroactive adjustment for 2010 and 2009.

manage sustainability portfolios. SCA is one of five Swedish companies listed in the DJSI 2011.

Since 2001, SCA has been listed on the FTSE-4Good, an index measuring earnings and performance among companies that meet globally recognised norms for corporate responsibility.

For the second consecutive year, SCA has qualified to be included in the Carbon Disclosure Leadership Index. The index recognises companies with the best reporting practices and performance to tackle carbon dioxide emissions, and climate change. The Carbon Disclosure Project acts on behalf of 551 institutional investors – with USD 71 tn (64) in assets under management – which use the survey as an evaluation tool.

For the fourth consecutive year, SCA was named one of the world's most ethical companies by the Ethisphere Institute in New York, US. Ethisphere reviewed thousands of companies to establish a list of 110 companies that surpassed their industry peers in the area of responsible business.

SCA is also listed in several other indexes such as the German Global Challenges, the Swedish OMX GES Sustainability Indexes and the company has achieved pass status in the Dutch Orange SeNSE Fund.

There was substantial interest in SCA by SRI (Socially Responsible Investment) parties in 2011. SCA regularly holds meetings and keeps in contact with this group as part of its investor relations work. Activities during the year included partici-

pation in SRI conferences and roadshows as well as a field trip with SRI investors to the forest products operations in Sundsvall, Sweden.

#### Down to the numbers

SCA generates value for shareholders through dividends and share price appreciation. Normally, about one-third of cash flow from current operations, 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 3.7 annually. The Board has proposed a dividend of SEK 4.20 (4.00) for 2011.

The closing price on the Nasdaq OMX Stockholm for SCA's B shares was SEK 102.00 (106.20). This corresponds to a market capitalisation of SEK 72bn (74). Since the beginning of 2011, the share price fell 4%, while the Nasdaq OMX Stockholm fell 17% during the same period. Over a five-year period, the SCA share generated a higher total yield than its peer group.

At year-end 2011, SCA had 81,513 (81,772) registered shareholders. The largest owners are Industrivärden AB, Handelsbanken and Norges Bank Investment Management.

SCA's net sales amounted to SEK 105,750m (106,965). Sales rose by 4% in local currencies compared with 2010. SCA increased its sales in all business areas and strengthened market positions for its global brands TENA (incontinence care) and Tork (AFH tissue).

Operating profit, excluding items affecting comparability, totalled SEK 9,224m (9,608). Operating profit, excluding items affecting comparability and exchange rate effects, was in line with the preceding year. Higher volumes combined with price hikes and cost savings offset SEK 3.2bn in increased raw material costs.

#### Expansion in emerging markets

In 2011, 76% of net sales were generated in Europe, SCA's primary market. The largest markets in terms of sales are Germany, the UK and the US.

SCA prioritises growth in its hygiene operations, primarily in emerging markets, such as Asia, Latin America, Eastern Europe/Russia and the Middle East. Sales in these markets rose 8% (8) in local currencies in 2011. Sales in all of SCA's emerging markets account for 18% (18) of the company's total sales, compared with 8% in 2001.

In 2011, SCA acquired the Brazilian hygiene products company Pro Descart, which gave the company a presence through Latin America. Pro Descart has a number two position in Brazil's incontinence care market.

SCA also acquired 95% of the Turkish company San Saglik, Turkey's second largest producer of incontinence care products and 50% of Komili, the fourth largest producer of baby diapers and feminine care products in Turkey.

## Impact of non-financials on company valuation

Energy efficiency
GHG emissions
Emissions to air / soil / water
Raw materials
Waste
Water usage
Staff turnover
Training & qualification
Absenteeism rate
Fatalities & injuries
Litigation risks
Corruption
Revenues from new products
R&D expenses
Capacity utilisation

#### Income statement

<b>Sales</b>
Cost of goods sold
<b>Gross operating profit</b>
SG&A expenses
<b>EBITDA</b>
Depreciation & amortisation
<b>EBIT</b>
Interest expense
<b>Pretax income</b>
Income taxes
<b>Net income</b>

#### Largest shareholders

	% of votes	% of shares
AB Industrivärden	29.13	10.04
Handelsbanken*	14.08	4.88
Norges Bank Investment Management **	6.61	5.03
Skandia	2.46	0.62
Alecta	2.08	1.48
SEB*	1.47	2.27
AMF – Insurance and Funds	1.11	2.48
Swedbank Robur funds	0.93	2.04
Second Swedish National Pension Fund	0.75	1.13
Afa Insurance	0.63	1.4

\* Including funds and foundations.

Source: Euroclear

\*\* According to disclosure notice on 10 June 2011.

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

# Innovation drives long-term profitability

SCA aims to deliver better, safer and environmentally sound solutions to its customers. To achieve this, sustainability is an important pillar of the company's innovation process.

SCA's sustainability strategy requires that all new innovation connects to the company's sustainability objectives. Its target underscores that the resulting product or service should aim for improved resource efficiency and environmental performance of its predecessor, based on a life cycle approach. As of 2012, performance against this target will be measured in the innovation processes across the company, starting with the hygiene operations.

In practical terms, sustainability-driven innovation can take many forms, from creating ever-more efficient operations, helping to reduce resource use along the value chain, replacing fossil resources with renewable resources or developing business models that improve the lives of 'base of the pyramid' consumers (low-income consumers).

## Innovation model

In total, SCA invested SEK 832m (713) in research and development in 2011, corresponding to 0.8% (0.7) of total sales.

SCA's innovation process is deeply embedded in the Group's strategy and business model and is based on trends in the business environment, insight into customer and consumer requirements and technological progress. The innovation-related processes are continuously honed and streamlined.

To measure the innovation strength and its financial impact, SCA began monitoring a number of innovation-related performance indicators in 2010 among all four business areas.

SCA's packaging business monitors several factors: the share of total sales that is attributable to products that are one year old or less; how profitable products are and how many of the customer-wide development projects result in orders. New products account for about one-third of sales and an even larger share of profit.

SCA has consolidated all of its renewable energy operations in a business division – SCA Energy – that also focus on innovation in fields such as biocomposites, bioenergy products and biochemicals.

## Innovation highlights 2011 include:

### *Sustainable packaging*

Research estimates that every year, as much as one third of all food produced for human consumption is lost or wasted along the value chain. SCA Packaging, in partnership with the Fraunhofer Institut in Freising, Germany has developed an innovation at the forefront of identifying methods to help reduce this waste.

The *Fresh fruit+* packaging aims to slow fruit and vegetable ripening through an ethylene-absorbing agent located on the corrugated board used to manufacture fruit and vegetable trays. Ethylene is a naturally occurring gas that triggers the ripening process in certain fruits and vegetables.

Still in a prototype phase, additional testing will be necessary before going to market to ensure that the product is compatible with existing product safety regulations. The German Packaging Awards recently recognised *Fresh fruit+* in its prototypes category and it is also a candidate for a Worldstar Award.

### *Improving lives in China*

SCA launched its hygiene Innovation Centre in Shanghai, China in 2011 with the objective of building on Chinese consumer insight and translating them into innovations. TENA Belt is the first product to come out of the Centre, an incontinence care product with a reusable belt. TENA Belt leads to a carbon footprint reduction of 25% compared to the previous TENA product and provides greater dignity for the patient and lessens the burden on caregivers. TENA Belt will also be launched in other markets.

Baby diapers are becoming progressively thinner, more comfortable and efficient, at the same time as their environmental footprint is becoming smaller. In 2011, Libero launched thinner baby diapers in Russia and the Nordic region.

## NEW TARGET

### Sustainable innovations

We will deliver better, safe and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the whole lifecycle for new innovations.





*Human dignity*

Functional and comfortable incontinence care contributes to dignity and quality of life. In 2011, SCA's Innovation Centre in Shanghai developed TENA Belt, an incontinence care product focusing on skin comfort. As the name suggests, it comes with a separate belt that keeps the pad in place and simplifies the application for the caregivers. Since the belt is washable, it can be used several times and its carbon footprint is 25% lower compared with a previous TENA product. TENA Belt will be launched in several countries in 2012.

# Building value in every interaction

SCA has an important role to play in its value chain: creating opportunities for suppliers and employees, synergies for customers, economic value for society.

### Boosting local suppliers

The company strives to maintain transparent and long-term relationships with its suppliers to guarantee high quality as well as financial stability for both parties.

Sourcing represents the single largest expenditure item for SCA – corresponding to 71% (70) of sales. In 2011, the Group purchased raw materials and services for some SEK 77,197m (75,961). Many input goods, such as paper pulp, electricity and chemicals, are global commodities and are largely purchased centrally, with the aim of achieving economies of scale.

Forest raw materials are goods that are almost exclusively purchased locally, however. Nearly all of the fresh fibre acquired and used in the Swedish mills and packaging units are purchased from local suppliers. This provides substantial economic contributions to local suppliers and the economy to which they belong.

Increasing suppliers' skill sets also adds value. SCA trains and supports suppliers in hygiene operations and among forest contractors, where SCA supports the suppliers with guidance in such areas as quality, environmental performance and Code of Conduct.

### Investing in people

SCA generates value for its employees through both the wages it pays and the competence development opportunities it offers.

In 2011, employee salaries totalled SEK 15,046m (15,654), and social security costs amounted to SEK 4,135m (4,297). As a principle, the Group pays competitive remuneration to its employees and follows local wage structures, assuming that these terms are not below internationally established rules for minimum salaries and reasonable compensation.

The Group also contributes to pension plans. 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 2011 amounted to SEK 358m (320). For further information, see Note 26 in the SCA 2011 Annual Report.

For many people based in emerging markets, working for SCA can be an important financial guarantee for themselves and their families. In 2011, 12,339 (13,052) were employed by SCA in Eastern Europe, Asia and Latin America, receiving SEK 1,563m (1,404) in salaries.

When entering an emerging market, SCA often does it through joint ventures. The combination of deep market knowledge, through keeping local management and SCA's knowledge in technology, economics of scale, etc. is generally favourable.

### Raising customer value

SCA has a range of customers – from end-consumers of SCA products, to business-to-business customers that include retailers, distributors, printing houses, and healthcare institutions. SCA's practices and products help business-to-business customers reduce their risks and add value to their brand. By jointly pursuing product efficiency and innovation targets, SCA and customers are delivering high-quality products that fulfil and exceed consumers' needs and expectations.

### Contributes to national economies

SCA also contributes to local communities by paying taxes and employing people in the countries in which the company is active. In 2011, SCA paid SEK 961m (1,255) in income taxes globally. In addition to income taxes, SCA also pays property taxes, payroll overheads, pension taxes, customs duties, energy taxes and indirect taxes.

## Created value by stakeholder 2011



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

# Building the business case, inspiring confidence

Across all markets and business units, a proactive approach to sustainability generates value for SCA – by creating opportunities for growth, building trust and relationships and increasing efficiency.

It is increasingly important for customers that the products they purchase have a minimal impact on the environment, are safe and efficient, and contain no hazardous materials. They also are seeking proof of the working conditions under which it is produced. Delivering on these expectations, and being able to validate it, grows SCA's business. These are key ways that sustainability work helps build on long-term relationships right along the value chain and builds confidence in the Group's consumer brands.

## Towards better quality of life

One of the targets of SCA's sustainability strategy is to make knowledge about hygiene available to customers and consumers in all its active markets and ensure access to affordable, sustainable solutions to help them achieve a healthy, dignified life. This entails a range of activities that help build markets for SCA, including information on hygiene matters, education programmes for girls, women and caregivers, and affordable hygiene solutions that offer the best value to consumers in all markets. In many cases, the company's sustainability approach and performance is the decisive factor in a customer's selection of SCA as a supplier.

The crucial importance of sustainability for business was confirmed in a survey carried out in autumn 2011 in which 400 SCA employees with customer contacts responded to questions about how sustainability influences customer relationships. A full 41% stated that they had experienced situations in which SCA's sustainability activities had played a decisive role in the outcome of contract negotiations. Some 65% reported that sustainability is very important or important for customer relationships.

A business-critical factor that was frequently mentioned in the survey and demanded by customers, related to SCA's broad portfolio of FSC-certified products and forest holding. In 2011, SCA's sales of FSC-certified publication papers rose by 35% and deliveries of FSC-certified pulp by 27%.

Another example taken from the survey described how SCA secured a contract for TENA Wet Wipes from a state-owned hospital in Singapore. The tender committee declared that it had been impressed by SCA's continuous improvement activities in the sustainability area while competitors only talked about price.

## Green buildings look at procurement

A green-building movement is taking off, in part because of pressure to reduce energy consumption and other environmental impacts but also because building operators have found that going green is good for business, with increases in productivity, less absenteeism, and improved worker health. This has been the case for the Empire State Building in New York, where building management have embarked on a programme to make the structure more environmentally sound. As part of that process, management looked at procurement, particularly at the bathrooms used by thousands of people who work in the building, and millions of tourists who visit each year. To ensure that paper products were part of the green strategy, the building management turned to SCA's Tork brand, made from 100% recycled content. Sustainable procurement helps buildings earn recognition from third-party verification systems like Leadership in Energy and Environmental Design (LEED), developed by the US Green Building Council.

Educational institutions are among those leading the way to pursue green strategies. In the case of Tulane University in New Orleans, it was students, members of Tulane Environmental Action League (TEAL), who, in the process of trying to find a way to improve the environment of their campus, discovered that the university was getting its toilet paper from a large paper manufacturer that sourced its products from old-growth forests. TEAL launched a campaign to find a better alternative, which led them to SCA's Tork brand. The students persuaded the university to make the switch to Tork. Today, that decision is helping the university meet its goal of having its buildings LEED certified.

## NEW TARGET

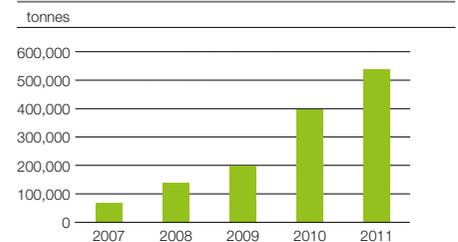
### Hygiene solutions

We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. In markets in which we operate we will:

- Provide information on hygiene matters around our products and services.
- Strive to implement education programmes for girls, women and caregivers.
- Strive to offer the best value for consumers making hygiene solutions affordable to everyone.



## SCA deliveries of FSC-certified publication papers



Deliveries of FSC-certified paper rose by 35% in 2011.



*The right to  
wash your hands*

People with reduced hand strength, due to disabilities or just age, often have difficulties operating hand hygiene equipment. This group is also one of the most vulnerable to infections caused by poor hand hygiene. When developing a new Tork foam soap dispenser, this insight was given special consideration. Product testing was conducted in collaboration with the Swedish Rheumatism Association (SRA) and the innovation process resulted in an easy-to-use foam soap dispenser with low push resistance. The dispenser has received the SRA accreditation "Easy to use" and is ADA (Americans with Disabilities Act) compliant.

### Changing construction habits

The use of wood instead of concrete or steel in house construction is an effective way of saving energy and reducing carbon dioxide emissions, and wood houses are expected to grow by 30% a year for the next five years. In France this is reflected in new environmental guidelines for the building sector which will increase the demand for solid-wood products. As of 1 December 2011, the constructors must incorporate 35 cubic decimetres of wood per square metre of floor space when building homes. This could create opportunities for SCA that sells 200,000 m<sup>3</sup> solid-wood products to France a year.

### Verified in North America

Tissue is in general easily biodegradable in municipal and composting facilities. A greater number of cities across North America are introducing compostable waste systems, such as those in San Francisco and Vancouver, which promise to lessen the burden on landfills. It is important that napkins on offer are deemed organic matter and are safe to compost in large-scale facilities.

SCA is the first Away-From-Home manufacturer to attain certification on its line of napkins from the Biodegradable Products Institute (BPI), one of the largest independent compost certification groups in North America. The BPI certification verifies that all Universal and Advanced Tork napkins, including custom print, can be safely disposed of and quickly biodegrade in municipal and commercial composting facilities.

Tork Universal and Advanced napkins also carry the EcoLogo™ and Green Seal™ certifications to provide an even higher standard of cost effective, sustainable product solutions.

### China: taking the long view

By investing in the education of nurses in China as part of a long-term project to increase knowledge regarding incontinence among the elderly, SCA is contributing to the development of a stronger skills base while at the same time establishing a strong presence in a rapidly growing market. The project, aimed at the Chinese health-care sector, was launched in 2009 and is being conducted at hospitals in a number of Chinese cities, including Guangzhou, Shanghai and Nanjing. At the end of 2011, 6,000 nurses had completed the educational programme.

### New business models

SCA is developing new business models to meet the needs of consumers in every income category. In emerging markets, such as Latin America, Southeast Asia and the Middle East, SCA is adapting the product offering and distribution to low-income earners, with the ambition to establish a strong presence at an early stage of economic development. Even at a daily income of USD 2–3, people can buy more than just the most basic products, and hygiene products are often prioritised.

Within this business model, SCA sells packs with fewer products in each one to make them more accessible for people living on a low per-day budget. For low income consumers, a combination of affordable and high-quality products is important. Since many people in emerging markets buy from the local store, SCA distributes its product also to small family-run stores in remote areas.

In another example of a new approach to meet specific market needs, TENA in Europe is launch-

ing a service called TENA Solutions that includes four parts: resident well-being, working atmosphere, budget, and environment. The TENA person performs an assessment of a nursing home and can thereby show how the right product mix and care leads to lower costs and lower environmental impact.

In 2011 SCA, in partnership with Econ Healthcare Group, introduced a new home-nursing programme that offers professional incontinence care guidance and other services to elderly from 200 families in Shanghai. For cultural reasons, elderly people prefer to stay at home rather than in residential homes. China's ageing population in combination with a growing middle class opens up huge growth opportunities.

In Italy, SCA's feminine care brand, Nuvenia, entered into a partnership with the association of gynaecologists, Associazione Ostetrici Ginecologi Ospedalieri (AOGOI). AOGOI's clinical tests of Nuvenia show that the products are allergy tested and kind to skin. Nuvenia is the first hygiene product in Italy that has been third-party verified for its high quality and, since this entitles Nuvenia to label packaging with AOGOI's certification, this partnership is significant in building consumer confidence.

### 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 evaluated, their economic as well as environmental effects are taken into account. During the 2007–2011 period, investments totalled SEK 42bn.

## Economic implications of climate change

SCA participates in the EU Emission Trading Scheme (EU ETS). The system's second five-year phase began in 2008. To date, SCA has an annual emission rights surplus of about 20%, corresponding to approximately 300,000 tonnes of carbon dioxide emissions annually.

The market price for emission rights (corresponding to one tonne of carbon dioxide) amounted to about EUR 15 per tonne the first half of 2011 and then continuously decreased down to below EUR 7 per tonne. The EU ETS also affects SCA through increased electricity prices.

In the third phase of the EU ETS due in 2013, carbon dioxide allocations will be based on best available technology which will probably result in a deficit in carbon allocations for SCA.

The EU's efforts to reduce emissions from fossil fuels and promote renewable energy production 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. SCA's own extensive production of biofuels constitutes a business opportunity and the Group's forest holding also represents a competitive advantage.

*Mission:  
reduce emissions*

To fight climate change, SCA has established an ambitious carbon dioxide target. One example of our efforts to reduce carbon emissions is the investment we made at the Östrand pulp mill in a new lime kiln, which was inaugurated in November 2011. The lime kiln is the first in the world to substitute fuel oil for wood powder and the fuel pellets that Östrand uses to grind to wood powder are made from sawdust from SCA's sawmills. By switching to the new lime kiln, Östrand will reduce its carbon footprint by 80% and its costs by SEK 50m annually.



# For care of nature, a holistic approach

SCA's environmental responsibility extends across the entire value chain, from forest management and efficient use of energy, water and other scarce resources in production to protection of biodiversity.

SCA's ability to influence all aspects of the value chain offers significant opportunities to contribute to sustainability goals, while also building a robust business case for investing in strong environmental management.

Careful conservation of scarce natural resources is central to SCA's business strategy and important for meeting stakeholders' expectations for responsible, long-term growth. Resource scarcity and other environmental problems make action more urgent than ever.

From a 360-degree approach to tackling climate change, to meeting high standards of forest stewardship and responsible sourcing, the aim is to ensure confidence in SCA's products among a wide range of stakeholders, including customers, investors, business partners, environmental organisations and other segments of society with a stake in responsible care of nature.

Climate &  
energy



pages **28–31**

Fibre sourcing  
& biodiversity



pages **32–35**

Water



pages **36–38**

# Climate sense

SCA's takes a 360-degree approach to managing its climate change impacts and is setting targets to reduce carbon dioxide emissions, triple the use of forest-based biofuels and increase investments in wind power.

### Combined heat and power

One of the most efficient ways to maximise fuel energy output is to use a combined heat and power (CHP) plant. Also known as co-generation, CHP generates both electrical power and heat – which can be used to create steam or hot water. Construction of Aschaffenburg's new SEK 550m combined heat and power (CHP) plant is on track, and a trial run is scheduled for the first quarter of 2012. The CHP plant will use gas to generate both electricity and steam and is expected to run at an impressive 90% efficiency rate. Surplus electricity from Aschaffenburg will be exported to the grid, and although the CHP plant will increase the site's gas consumption, overall direct carbon dioxide emissions will reduce by 10% due to enhanced efficiency .

### Going geothermal in New Zealand

SCA's tissue plant at Kawerau, New Zealand, has been using geothermal steam from the ground for drying since September 2010. Steam is an important part of the process for manufacturing kitchen rolls, napkins and toilet paper. The introduction of geothermal steam allowed the plant's carbon dioxide emissions from fossil fuels to decline by 37% and its gas use by 72% in October 2010 to 2011. SCA is exploring the possibility of using geothermal steam to also generate electricity for the plant.

In November 2011, NZI National Sustainable Business Network Awards gave SCA the Judges' Commendation award for the Trailblazer Large and Corporate Business category. The judges were impressed by how well sustainability is embedded in day-to-day business operations at the Kawerau plant. Harnessing geothermal energy for production was one of many sustainability initiatives that contributed to the plant's win.

### Forest as a carbon sink

Active and responsible forestry management to promote tree growth provides an important carbon sink. Young trees that are growing fast absorb more carbon dioxide than older trees that will eventually die and release the carbon they stored in their life. Therefore it is effective from a climate change perspective to manage forests for a high growth rate and to substitute more carbon intensive fuels with renewable fuels and materials from the forest.

SCA's forests have a net growth of 1%, which corresponds to a net amount of carbon dioxide absorbed every year in the region of 2.6 million tonnes. This is equivalent to the total amount of fossil-fuel based carbon dioxide emissions generated by the Group's production facilities.

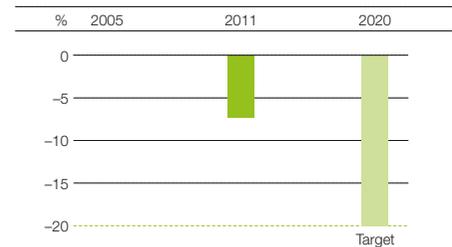
### TARGET

#### CO<sub>2</sub> emissions

We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.



### OUTCOME 2011



At year-end 2011, carbon dioxide emissions had declined by 7.3% in relation to the production level.

## SCA Activities to combat climate change

Key ways SCA reduces its carbon impact include:

**Forestry:** Forests owned by SCA absorb 2.6 million tonnes of carbon dioxide, net, every year, and growth exceeds harvesting by 20%.

**Forest-based biofuel:** SCA is a major supplier of biofuels to Swedish municipalities, companies and households. In 2011, deliveries of biofuels was 3.2 TWh. Biofuels account for 45% (43) of the Group's entire fuel consumption.

**Energy efficiency:** Work to increase efficiency and reduce fossil fuel use through ESAVE projects and much larger investments is a constant agenda item at SCA.

**Renewable energy:** SCA has significant and growing investments in generating wind power and has set up SCA Energy to explore business opportunities in renewable energy, including forest-based biofuels.

**Sustainable products:** SCA has reduced the carbon footprint for hygiene products by reducing resources in the supply chain.

**Taking advantage of operational efficiency**

SCA combines its major investments in energy infrastructure and efficiency with ESAVE, a programme that focuses on production-based savings. Reducing greenhouse gas emissions from transport is also a priority.

**Competitive advantage**

Since its launch in 2003, ESAVE, SCA's operation-based energy efficiency programme, has completed over 1,700 projects that have generated an estimated accumulated SEK 700m reduction in energy spending annually.

SCA's target for the ESAVE programme details a total specific energy saving corresponding to a 14% reduction in energy consumption per product tonne 2010-2020. In 2011, 360 projects were implemented, resulting in a reduction of carbon dioxide emissions by 54,000 tonnes and a 1.7% reduction in energy consumption per product tonne, which is in line with the overall target.

SCA's strategy to make investments in energy saving is designed to deliver financial savings and a competitive advantage. By staying one step ahead, the Group will reap benefits from investing now amid rising energy prices and the probability of medium term climate change-related regulation around the world. Funding for new ESAVE projects has already been earmarked for those showing an attractive payback time.

Typically, projects save electricity through efficiency improvements in pumps, compressors, fans and lighting. Regarding fuel, approaches to reducing consumption include optimising the use of recovered heat to supply process steam and space heating, and maximising the efficiency of drying hoods.

One example is the ESAVE initiative in SCA's tissue site in Manchester, England. Its tissue machine has two drying processes which both

used fresh air from outside. Recycling the hot air from one drying process and reuse it in the other resulted in a 10% reduction of energy consumption. This equals to annual savings of EUR 600,000 and 3000 tonnes of carbon dioxide annually.

For lasting results, successful ESAVE projects rely on more than intelligent investment in technology. Educating people to stimulate long-term behaviour change is an equally important part of the equation. A performance management system to cascade goals from the corporate and business unit level down to the shop floor is an important tool. Additionally, SCA conducts regular reviews of ESAVE performance at all levels of the organisation to drive further improvement.

The achievements of the ESAVE programme have not gone unnoticed. In 2011 SCA was awarded first prize in the German energy efficiency award scheme run by the German Energy Agency's Initiative Energie-Effizienz. And in Sweden, SCA was a finalist in E-Prize, the Swedish energy efficiency award organised by *Veckans Affärer*, a business magazine.

**Reducing transport emissions**

SCA's Swedish mills have signed up to the Swedish Forest Industries Association goal to reduce carbon dioxide emissions by 20% per transported tonne by 2020, with 2007 as a baseline. The company works continuously to reduce emissions from transport, especially road haulage, which accounts for approximately 19% (25) of the total volume transported. It is often the only means of moving timber from the forest to the mill and for delivering the final product to the customer. Alternatives such as rail and sea emit less carbon dioxide than road haulage and account for 5% (6) and 76% (70) of SCA's total volume transported.

**Shipping**

SCA traffics three RoRo vessels (Roll on Roll off) transporting goods from the north of Sweden to the UK and the Netherlands. These vessels have a fill factor of nearly 100% for the southbound journey, but also for the northbound journey the ships are filled to about three-quarters. SCA's container transportation activities are increasing rapidly and now amount to about 200,000 tonnes annually, in comparison with the RoRo vessels one million tonnes. The share of container transportation activities will rise even further with SCA's cooperation with a Russian shipping company, Delta Shipping Lines. Starting in 2012 it will result in a very high fill rate as well as less emissions per tonne transported.

“SCA's strategy to make investments in energy saving is designed to deliver financial savings and a competitive advantage.”

**Electricity consumption 2011**

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



**Electricity consumption 2011: 9,163 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 2011**

- Natural gas, 51.1%
- Biofuel, 44.6%
- Oil, 3.3%
- Coal, 0.7%
- Electric boiler, 0.3%



**Fuel consumption 2011: 77,816 TJ fuel**  
A total of 51.1% of SCA's fuel consumption comes from natural gas and 44.6% from biofuel. Oil and coal account for a mere 3.3% and 0.7%, respectively.

## Investing in renewable energy

SCA Energy, part of the SCA Forest Products business group, is charged with developing SCA's production of renewable energy. Besides wind power, SCA Energy produces refined and unrefined forest-based biofuels and is also tasked with exploring new business opportunities in the renewable energy area.

### Optimising wind assets

As Europe's largest private landowner with its territory in Northern Sweden, SCA has access to a valuable wind resource that can deliver renewable energy and a source of income to the company. SCA is taking a three-pronged approach to wind power: leasing land to wind farm developers, developing joint partnerships and undertaking its own projects.

SCA's largest wind farm initiative is a partnership with the Norwegian company Statkraft. A joint venture called Statkraft SCA Vind AB (SSVAB) was formed in 2007 and leases land for wind farms from SCA. SSVAB has been granted permission to go ahead with six of its seven planned wind farms. Their generating capacity will be about 2 TWh of electricity per year. Construction work started on two wind farms during 2011 and the first turbines will be in operation during 2012.

SCA has also started a venture with the Norwegian company Fred.Olsen Renewables. The joint company, FORSCA AB, will be applying for permission to build 3–5 wind farms on SCA land with a total generating capacity of 2 TWh. The energy will be sold to the grid.

With growing experience of wind farm development behind it, SCA has started an initiative to develop two wind farms on its own, with a potential 1.2 TWh generating capacity. SCA may invite partners at a later stage or carry through the projects on its own.

### Replacing oil with biofuel

The Östrand pulp mill will cut its carbon dioxide emissions from fossil fuels by approximately 50,000 tonnes or 80% per year when it switches to forest-based biofuels to power its new lime kiln. The kiln, which came into operation in December 2011, allows the annual production of pulp to increase by 10,000 tonnes per year and replaces the two old ones that were fired with fuel oil. The old kilns consumed 17,000 m<sup>3</sup> of fuel oil annually and the switch to the new kiln corresponds to a SEK 50m reduction in energy cost.

### Forest-based biofuels

SCA's forests are in themselves a significant renewable energy resource and from a climate impact perspective are preferable to fossil fuels. Sawdust can be dried and compressed to make high-value pellets, typically for use in households and other small units. Community energy and CHP plants are equipped to burn a greater variety of lower cost forest-based biofuels such as unprocessed logging waste. In 2011 SCA supplied 3.2 (3.5) TWh of forest-based fuels, of which 0.8 (0.9) TWh comprised processed fuel pellets and 2.4 (2.6) TWh was unprocessed.

Tree stumps could make an important, and currently untapped, contribution to the forest-based biofuel supply. Careful extraction is essential to minimise disturbance to soil and water-courses. Only certain sizes of stumps are suitable – small ones are not viable and large ones are left as dead wood for insects, fungi and other organisms. SCA is currently testing machinery and methods for removing medium-sized stumps with minimum damage to soil and hydrology.

### NEW TARGETS

#### Bio fuels

We will triple our production of biofuels from our forests by 2020, with 2010 as reference year.



#### Wind power

The production of wind power on SCA forest land will increase to 5 TWh by 2020, with 2010 as reference year.

“SCA is taking a three-pronged approach to wind power: leasing land to wind farm developers, developing joint partnerships and undertaking its own projects.”

# Designing for sustainability

Lowering carbon dioxide emissions at facilities is an essential part of SCA's climate change strategy. At the product level, a resource efficient supply chain and innovative design help minimise climate and other environmental impacts throughout the life cycle.

### Life cycle approach

Life cycle thinking has been central to the way SCA designs hygiene (tissue and personal care) products since the 1990s. The approach is supported by an analytical methodology called Life Cycle Assessment (LCA) that examines environmental data from every phase of a product's life, from the extraction of raw materials to production, transport, use, recycling and finally disposal.

Armed with this information, SCA and its designers focus their attention on addressing the areas where the climate and overall environmental impact of materials and products are greatest. LCAs are helpful when selecting raw materials and suppliers, for deciding on manufacturing methods and to steer product development.

### Active sourcing

For personal care products, raw materials account for the largest share of the environmental life cycle impact. Accordingly, engaging with suppliers of raw materials to maximise their efficiency is very important. SCA's 2011 global supplier standard gives them clear requirements on quality, product safety chemicals, environmental impacts, forestry practices and compliance with SCA's Code of Conduct, and they are audited against these criteria. Following the audit, suppliers receive a request for information about their resource use and emissions, and this is used in SCA's Life Cycle Assessments. Suppliers are encouraged to set goals for improving their performance.

### Clean production

Since the raw materials dominate the environmental life cycle story of personal care products, minimising waste when manufacturing is the key way to lower both emissions and resource use. Between 2005 and 2011, waste sent to landfill from Europe fell by 83%, and in North America by 76%. Gennep in the Netherlands achieved a zero waste to landfill target.

Decarbonising energy is important too, and in February 2011 SCA flicked the switch on its green electricity supply at the Olawa Personal Care plant in Poland, whose power is generated by the Suwałki Wind Park in the north east of the country.

For tissue, the key life cycle environmental impact is energy use at the manufacturing stage. SCA has measures in place to reduce carbon dioxide emissions through the ESAVE programme. In Mannheim, Germany, SCA is exploring using more biomass for steam production.

### Sustainable solutions

Understanding the customers and the consumers of SCA's products helps to find solutions that work better, are safe to use and reduce environmental impact, including greenhouse gas emissions. Tork Xpressnap is an innovative example of a dispenser that dispenses one napkin at a time. This is a hygienic solution and it leads to at least 25% less consumption. To control the right consumption is an excellent way to improve the environmental performance.

TENA Flex is an example of product innovation that offers both social and environmental improvements. The incontinence product is designed with a belt and ergonomic features for easier changing by users and healthcare staff. The comfortable fit and improved function means less leakage and that in turn reduces the number of times clothes and sheets need to be changed and washed. Sustainable innovation leads to satisfied customers, staff and users, and a smaller environmental footprint.

The story behind the Libero open diaper is similar. By choosing the right materials and designing in a smart way, SCA reduced the weight of the diaper by 40% between 1987 and 2011. As a result, fewer resources were used, more efficient transport was possible and less waste generated. In the same timeframe its carbon footprint fell by 49%.

The table below shows changes to the carbon footprint of a range of European personal care products between 2008 and 2011. The results are third party verified by the IVL, the Swedish Environmental Research Institute.

Lighter products mean less waste to landfill. SCA works continuously to reduce the weight of its personal care products. Incinerating hygiene products is a good alternative to landfill since 25-80% of the material in personal care products and up to 100% from tissue products is renewable.

Product	Reduction of Carbon footprint, 2008-2011, %
TENA Flex	7
TENA Lady	17
TENA for Men	3
TENA Pants	7
TENA Slip	11
TENA Comfort	6
Libero open diaper	16
Libero Pants	8
Feminine thin towel	18
Feminine panty liners	7



## Responsible use of wood

SCA's wood sourcing policy has a clear position: to source wood only from non-controversial sources. SCA is using a global supplier standard to verify suppliers performance.

### Target 100% controlled wood

In 2005 SCA set a target to control the origin of purchased fresh-fibre based materials, including pulp and containerboard. The goal is to safeguard that zero wood fibre in an SCA product originates from controversial sources. Controversial sources are defined as:

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

The target applies to wood fibre from SCA's own forests as well as fibre, pulp and containerboard bought from suppliers. All SCA's mills using fresh wood fibre are FSC Chain-of-Custody certified, which implies that all uncertified timber meet FSC's Controlled Wood standard. Today, SCA has 100% control of the origins of wood fibre and pulp, while 95% of containerboard is derived from controlled sources. SCA expects to achieve 100% control in 2012.

### Global standards for sourcing

In January 2011 the tissue and personal care businesses launched an updated global supplier standard which will further strengthen the control system (see also page 45). SCA's packaging and forest product's operations are adopting similar global supplier standards.

### Forest certification

The management of SCA's own forests has been certified to the FSC standard since 1999. Partly, as a result of this all SCA's solid-wood products,

pulp and publication papers can be purchased as FSC certified products. SCA is the world's largest supplier of FSC certified forest industry products and demand has been steadily increasing in all fields.

SCA works with forest certification schemes that are demanded by customers and supported by important stakeholders. Some customers demand products certified to the Programme for the Endorsement of Forest Certification (PEFC) to FSC and therefore the Group's forests are certified to both standards.

### Pulp

SCA requires suppliers of pulp to ensure that they have reliable systems and documented procedures in place to enable adequate control of the supply chain and traceability of the origin of wood raw materials.

Discussions with suppliers include reviewing their plans to increase the share of the wood they buy from certified forests. Certification schemes accepted by SCA are FSC, PEFC as well as the Sustainable Forestry Initiative (SFI) and the Canadian Standards Association (CSA).

All pulp purchased by SCA is from controlled sources. Certification schemes are designed to suit different markets. Fluff pulp bought for European personal care products is purchased from the US and Sweden, from suppliers that are FSC Chain-of-Custody certified, whereas the majority of the pulp bought for the European tissue business has FSC and/or PEFC Chain-of-Custody certification. In the Asia Pacific business, pulp is purchased according to the same standards as in Europe.

### TARGET

#### Fibre sourcing

We will achieve and maintain our target of zero fresh fibre-based material, including pulp and containerboard, from controversial sources.



### OUTCOME 2011

- All deliveries of pulp to SCA's facilities met the Group target.
- All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.
- SCA's packaging operation has control of the origin of more than 95% of the kraftliner used by the business unit.

**Containerboard**

SCA's packaging operations comprise both containerboard paper production and conversion of the paper in corrugated operations into finished packaging solutions. The containerboard paper production takes place in six paper mills, two fresh fibre based kraftliner mill and four recycled fibre based testliner mills. All six mills hold FSC Chain-of-Custody certification. The corrugated converting operations takes place in 110 plants across Europe.

SCA's packaging operations use approximately 75% recovered fibre and 25% freshfiber in their products. About 50% of the kraftliner is sourced from SCA's two kraftliner mills in Sweden. Both kraftliner mills are to 100% supplied with wood raw material from the SCA Skog operations also holding FSC Chain-of-Custody certification. This means that all fresh fibre based paper from SCA's own kraftliner production completely fulfil the SCA Group target on responsible fresh fibre sourcing. The remaining 50% are sourced from several external kraftliner paper suppliers.

Today more than 95% of SCA's Packaging's fresh fibre based paper (kraftliner) sourcing meets the SCA Group target on controlled sources. What remains for less than 5% of the volume is documentation verifying the origin from non-controversial sources.

With the continued implementation of the SCA Packaging central Paper Supply Platform for external paper sourcing combined with the Packaging Supplier Standard SCA estimates it will meet 100% compliance in 2012.

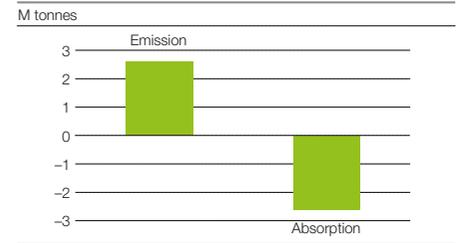
**Recovered fibre**

SCA is a major user of recovered fibre, with the material accounting for about 40% of fibre use. SCA is one of Europe's largest collectors of recycled fibre. Certain parts of SCA's production are entirely based on recovered fibre, such as the US tissue operations.

However, the use of recovered fibre requires regular additions of fresh fibre since fibre can only be used five to seven times before being expended.

“The standard requires suppliers of pulp to ensure that they have an environmental management system in place and that all the fibre they provide is from controlled sources.”

**SCA's carbon dioxide emissions from own production and absorption in SCA's forests**



The net uptake of carbon dioxide in SCA's forests corresponds to the carbon dioxide emissions generated by all of the Group's production, about 2.6 million tonnes.

## *We care for owls*

Biodiversity is a measure of the health of ecosystems. Preserving the biodiversity of our forests is a prioritised sustainability target for SCA. One example is the creation of “diversity areas” where at least half the designated space consists of SCA land set aside for nature conservation purposes or managed to enhance the prospects for biodiversity. Dead wood of pine trees, which is a habitat for insects and wood fungi, is one example of a scarce commodity. That is why we leave more than one tree in ten from harvesting, to die from natural causes. Old pine trees may with time become suitable nesting trees for ural owls.



## A growing natural resource

As Europe's largest private forest owner, SCA takes its dual role as business leader and guardian of an important natural resource seriously. All its forests are certified in accordance with Forest Stewardship Council (FSC) standard.

### Commitment to biodiversity

To demonstrate its commitment to biodiversity, SCA has set a target to:

- Set aside a minimum of 5% of productive forest land in ecological landscape plans.
- Set aside a further 5% to show consideration for nature in managed forests.

SCA's forests provide about half of the total wood consumed by SCA. The rest comes from Sweden (39%), Central Europe (12%) and the Baltic States (4%), and SCA controls that all of these suppliers meet the FSC Controlled Wood Standard as a minimum.

Of the 2.6 million hectares owned by SCA, 2 million hectares are managed for timber production. The remaining 600,000 hectares comprise less fertile forest and bogs, and provide habitats for a range of plant and animal species.

Ecological landscape plans are one of the tools used for managing SCA's 2 million hectares of productive forest. They deliver programmes for identifying and setting aside forests with high conservation values and for restoring the natural qualities that historical approaches to land use have made rare. A minimum of 5% of SCA's forest is set aside for the preservation of biodiversity and excluded from felling. The emphasis is on areas of high conservation value, and these may be managed actively to enhance biodiversity. For instance, a broadleaf forest can be regenerated to encourage woodpeckers and insects, or certain parts of the forest burned, as can happen in nature, to allow species that depend on charred wood to flourish.

An additional 5% or more of the productive forests are set aside to preserve biodiversity. Typically this means that trees with a high value to nature are left uncut, as are edge zones bordering watercourses, lakes or peat bogs. This helps to ensure a varied local environment, makes valuable sources of food available and provides nesting trees for birds of prey.

All in all, more than one tree in ten growing on land that SCA manages for timber production is

left to die from natural causes. These trees become part of the forest's natural cycle, providing food for insects, fungi and woodpeckers.

The forests excluded from harvesting due to biodiversity preservation correspond to a market value of approximately SEK 200m annually.

### More planting than harvesting

For more than 50 years, SCA has kept forest inventories to provide information for calculating sustainable yield. They show that SCA's forests have a net growth of 1%. Today, SCA harvests pre-World War II forests, where often the most valuable trees were harvested and the rest were left to regenerate naturally after felling. From the 1950s onwards, SCA managed forests more actively, planting seedlings after harvesting and nurturing them as they grew. As a result, the standing volume of living trees in SCA's forest has increased by 40% since World War II, while its growth rate has more than doubled thanks to active management.

This long-term investment will pay dividends. In about 30 years, the post-World War II forests will be mature enough to harvest, delivering 20% more wood than is currently available.

Forest plants or seedlings are also an important part of SCA's business. Over 90 million seedlings were produced in 2011, 35 million for SCA's own forests while the rest will be sold to Swedish, and to a lesser extent Finnish, forest owners.

"More than one tree in ten growing on land that SCA manages for timber production is left to die from natural causes."

### NEW TARGET

#### Biodiversity

We will preserve the biodiversity of our forests. A minimum of 5% of our productive forestland will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.



### Keeping standards high

The Forest Stewardship Council (FSC) is responsible for the toughest forestry management standard in the world. SCA's forests have been audited annually by FSC since 1999, and have been awarded repeated certification since that year.

The FSC audit for 2011 resulted in one Corrective Action Required (CAR) relating to the way contractors manage hazardous waste, such as used hydraulic oil and lubricants. SCA stipulates that hazardous waste must be handled in line with the company's policies, and SCA developed plans for corrective action to encourage contractors to comply. The plans were carried out by January 2012.

In 2011 SCA's forest management was certified to the PEFC (Programme for the Endorsement of Forest Certification) standard for the first time. As some of SCA's customers demand PEFC certified products, the Group now audits the management of its forests against both the FSC and PEFC standards. All forest management activities have achieved ISO 14001 certification since 1998.

SCA Skog is working to minimise disruption to the forest floor and watercourses during harvesting. Solutions such as using light, transportable bridges to protect watercourses is one solution.

# Providing relief for water stress

Water is a priority for SCA because pulp and paper mills use large volumes. The Group has set new targets for reducing water usage in water-stressed areas, and for ensuring that only high quality, treated water leaves the mills.

### New water targets

Clean water is a core environmental priority for SCA. Important aspects of water management include where it comes from, how much is used and the quality of wastewater. The implementation of the Group's 2005–2010 water targets resulted in a reduction of water usage by 12.0% and a drop in the organic content of wastewater of 35.4%. To follow up, SCA has set two new five-year water targets from 2010. They are to:

- Reduce water consumption in water-stressed areas by 10% by 2015.
- Ensure that all SCA's pulp and paper mills employ biological and mechanical effluent water treatment by 2015.

SCA uses large volumes of water in pulp and paper production and in 2011, used 232 million m<sup>3</sup> of water, the majority drawn from surface sources.

The majority of SCA's mills, corresponding to more than 95% of the Group's water usage, are situated in areas where water is abundant. A recent Water Profile by IVL, the Swedish Environmental Research Institute, shows that the forest industry in Sweden, though water intensive, does not restrict water for other users.

SCA is focusing its efforts on water in areas of water scarcity. Combining globally recognised methodologies for water assessment from the Food and Agriculture Organisation, the World Resources Institute and the University of New Hampshire with SCA's own knowledge, ten mills (Lucca tissue and packaging in Italy, La Riba, Puigpelat and Mediona in Spain, Box Hill in Australia, Cajica in Colombia, Monterrey and Sahagun in Mexico and Flagstaff in the US) have been identified that have limited access to water. The target to reduce water usage by 10% in these mills by 2015 is challenging – approximately half already consume very little due to existing water-saving

technologies since minimisation has been at the top of the agenda for all ten mills for many years.

Ensuring high quality wastewater is important to SCA. Of the Group's 45 mills, 43 already use both mechanical and biological effluent treatment. The two remaining mills are situated in Colombia and Ecuador. Mechanical treatment removes sludge, while biological treatment extracts the organic substances that affect the Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) of the wastewater.

### Mostly surface water

Responsible use of water is as much about its source as the volume extracted. Drinking water derives largely from groundwater reservoirs that replenish slowly when surface water seeps through the soil to be stored. It is likely that human populations will rely increasingly on groundwater in the decades to come. For this reason, only 12% of the water SCA extracts is from groundwater, while the majority used in production facilities comes from surface water.

### Water footprint

As water becomes increasingly scarce in some regions, the idea of a water assessment tool or 'water footprint,' a cousin of the 'carbon footprint,' is taking off. This analytical approach allows the amount of water needed per kilo or tonne of product to be calculated by taking account of all the water it needs during its lifecycle. The methodology can also be applied to companies, regions or countries as a way of illustrating their water use. In SCA's view, the value of the water footprint at the product level is complex and difficult to make comparable because access to water varies dramatically around the world. The same product could be considered water intensive in a dry country, and water extensive in a wet one.

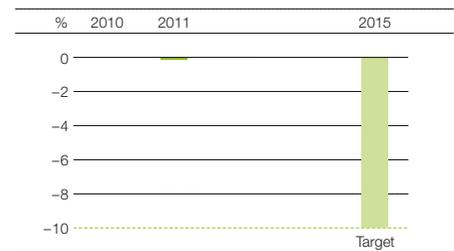
### TARGET

#### Water

We aim to achieve water sustainability and we will reduce our water consumption in water stressed regions by 10% by 2015, with 2010 as reference year. All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.



### OUTCOME 2011



By year-end 2011, water usage in water-stressed regions declined by 0.1%. Of the Group's pulp and paper mills, 43 are equipped with mechanical or biological wastewater treatment facilities.



## *The scarce resource*

Accessible water resources are distributed extremely unevenly between regions. That is why SCA focuses on reducing water usage in such water-stressed regions as Mexico, Colombia, Spain, Italy and Australia. SCA's greenfield tissue site in Mexico is an excellent example of how we ensure that we avoid using more water than is absolutely necessary and we have also installed a first-rate water treatment plant at the site.

### Water regulation around the world

Like the European Union, SCA believes that water is best managed at district level. This allows for the unique characteristics of each district, organised around river basins that may cross national boundaries, to be taken into account. The EU's Water Framework Directive encourages all stakeholders to be involved in river basin management plans and requires that all water in the EU should achieve a 'good' status by 2015. Industry is expected to play a part in paying for checking and

managing the water in its locality, so the price is likely to rise significantly.

SCA is monitoring water-related regulation around the world, and particularly in countries such as the US, Australia and New Zealand. The Group is participating actively in the development of an ISO standard for water footprint. SCA is able to offer experience and advice to legislators on subjects such as how various production and treatment methods affect water usage, product quality and emissions to watercourses.

“There is every reason to set targets in areas of water scarcity, and this is where SCA is focusing its efforts.”

### Improved water treatment in Austria

In October 2011, SCA installed a new anaerobic waste water treatment process, including a cooling tower and biogas treatment, in its tissue plant in Ortmann, Austria. The existing facilities dated back to 1989 and were at the end of its capacity.

The new water treatment process has so far lived up to expectations, reducing the COD (Chemical Oxygen Demand) emissions to the nearby river by 20–30% and the target is to reduce emissions by 60-70%. The plant produce almost 100 m<sup>3</sup> of biogas per hour that will be used in the energy process in the tissue mill. The investment amounted to SEK 40m.



## A strong safety net

SCA has deep knowledge and keen awareness of the importance of handling chemicals carefully. Products safety is vital when working with packaging and tissue used in the food industry and hygiene products that come into close contact with skin.

### Safe use of chemicals

Chemical management is a prioritised area for SCA and the Group is careful to ensure that any chemicals it uses are effective, handled safely and result in the lowest possible impact on people and nature. The company monitors all relevant legislation and its implications worldwide. It has developed internal procedures to ensure that both health and environmental concerns are integrated into the activities of mills and factories on a daily basis.

Amongst the most important legislation affecting how chemicals are managed at SCA is the European REACH (Regulation, Evaluation and Authorisation of Chemicals) regulation. It covers the use of chemicals and their effect on occupational health and safety, consumers' safety and the environment.

SCA is a user of large quantities of certain industrial chemicals for pulp and paper making. All chemicals used shall be registered by suppliers producing or importing more than 1,000 tonnes per year, as required in the first phase of REACH. The next phase requires suppliers to register anything over 100 tonnes of chemicals manufactured or imported per year by 1 June 2013.

REACH stipulates that suppliers pass on information about hazardous chemicals sold via Safety Data Sheets (SDS) – a practice long established in chemicals handling. The electronically stored SDS are updated with additional information such as exposure scenarios and passed along the supply chain to ensure that users (SCA) are informed at every stage.

Particularly hazardous substances identified by REACH are called Substances of Very High Concern (SVHC). These chemicals are publicised via the European Chemical Agency's Candidate List. SCA closely monitors changes to this list to ensure all products are fully compliant. There is also other legislation that focuses on chemicals, such as food contact legislation.

SCA takes particular care regarding packaging and tissue for food and products that are in close contact with skin such as tissue and personal care products. For instance, it ensures that all the board leaving mills is suitable for food packaging, even if it is destined to become boxes containing electrical goods or furniture. Similar standards apply to tissue and personal care products.

### Ensuring product safety

Product safety is extremely important and SCA works with consumers, customers, trade associations and legislators to ensure that its products comply with necessary standards. Product safety requirements vary between business units, and each one is responsible for the safety of its own products.

The process starts with the global supplier standard. It specifies requirements for quality, product safety, environment, chemicals and Code of Conduct. It also lists chemicals of special concern so that suppliers are aware of which substances should be avoided.

The most demanding standards are for food packaging, personal care and tissue products. The product safety assessment process involves collecting relevant data from suppliers and then undertaking chemical analyses and toxicological tests for personal care products. The product also undergoes a safety check taking into account the consumer user group, applicable legislation and likely uses.



*We want proof*

We want to ensure that our own and our supplier's operations comply with our Code of Conduct regarding health and safety, working condition, child labour and respect for human rights. Our Code of Conduct assessments are one way of ensuring compliance. In 2011, assessments were conducted in Malaysia and Russia, both of which indicated alignment with SCA's Code of Conduct.

# A values-based approach

A strong corporate culture built on SCA's core values of respect, excellence and responsibility, and high standards within business ethics, labour practices, health and safety, and human rights infuse SCA's approach to social responsibility.

SCA's Code of Conduct is the foundation on which SCA's employees and its suppliers are expected to meet rising stakeholders' expectations for how a sustainable business should be run. Training and management systems underpin the ambition and translate objectives to action.

Every aspect of conducting business – from strategy development to day-to-day decisions – must reflect the company's values within social responsibility. Companies are increasingly expected to contribute much more to society than products and services – from respect of human rights for employees and throughout the supply chain, to zero tolerance for bribery and corruption. SCA's supplier standard, for example, drives shared values and priorities through its supply chain.

The complexity and global span of SCA's business makes it even more crucial that all its interactions and relationships are managed responsibly to create a positive impact on society.

Code of  
Conduct



pages **42-45**

Employee  
Health & Safety



pages **46-48**

# Living by the Code

The Group's Code of Conduct helps bring SCA's values to life and ensures that the company's actions are aligned with universal standards of good business practice.

As a cornerstone of the Group's governance system, the SCA Code of Conduct outlines expectations for maintaining high standards of health and safety, employee relations, respect for human rights and anti-corruption work. It also underscores the importance of building strong and transparent relationships with local communities, and implies a high level of integrity in business conduct. International standards such as the UN Declaration on Fundamental Human Rights, ILO Core Conventions and the OECD Guidelines for Multinational Enterprises have influenced the Code.

The Code sets a baseline level of compliance, which every employee and each SCA partner is expected to uphold.

According to SCA's materiality assessment (see page 15), concerns relating to health and safety, employee relations and anti-corruption have been identified as the aspects of the social agenda most relevant to the company. Separate training material and audit protocols have been designed for Code of Conduct compliance – covering human rights, employee relations and health and safety – and Business Practice Reviews, which tackle compliance to global SCA policies such as for anti-corruption and internal control regulations.

## Mapping and managing risks

SCA focuses its efforts on the areas where it can make the greatest difference. Annually, the company applies the insights of Transparency International and Amnesty International, the foremost NGOs on anti-corruption and human rights, and, to a degree, Maplecroft, a global agency that monitors political, economic, social and environmental risks, to map markets most susceptible to human rights and corruption violations.

About 22% (20) of the Group's sales currently derive from countries with an elevated risk of corruption and 1% derive from countries with an elevated risk for other human rights-related challenges.

SCA targets specific operations for training and audits. The choice is based on four criteria: if the facility is located in geographical areas deemed most vulnerable to non-financial risks, the size of the operations' turnover, if the business has recently been acquired, and if there are indications of non-compliance at a facility (see also page 43). To date, about 71% (66) of SCA's operations in risk-identified countries have been audited for Business Practice compliance.

What gets measured gets managed. SCA's internal reporting system, which centrally collects data from every operation on at least an annual

## TARGET

### Code of Conduct

We will maintain compliance with the SCA Code of Conduct. All our employees will be regularly trained.



## OUTCOME 2011

- Launch of a new training campaign for Code of Conduct.
- Code of Conduct assessments were performed in Malaysia and Russia. Business Practice audits took place in Central America and Greece.
- Implementation of the global supplier standard in the hygiene operations.
- Development of corresponding standards in packaging and forest products operations.

basis, helps the company maintain its high standards. The system is based on relevant Global Reporting Initiative Indicators (GRI) – the most respected framework for non-financial reporting. Using GRI indicators not only facilitates risk management, but also streamlines the sustainability reporting process.

## Snapshot: Code of Conduct

In place since 2004, the Code of Conduct is inspired by SCA's core values of respect, excellence and responsibility. Aligned with universal standards of business conduct as defined by the UN Declaration of Human Rights, ILO Core Conventions and OECD Guidelines for Multinational Enterprises, the Code serves as a compass on individual and collective behaviour when employees are making business decisions or are faced with ethical dilemmas.

Here's a snapshot of the Code's key ingredients:

- **Health and safety:** to continuously improve health and safety and offer employees a safe work environment.
- **Employee Relations:** to foster a corporate culture where all employees are treated with respect, without discrimination and where they can exercise freedom of association.

- **Business Practice:** to compete fairly when pricing its products and services, with zero tolerance for all forms of corrupt and unethical business practices. SCA expects the same behaviour from its suppliers as from itself, a process driven by its supplier standard.
- **Human Rights:** to ensure compliance with human rights, with intense focus on preventing child and forced labour.
- **Community Relations:** to contribute both directly and indirectly to the societies in which it operates.
- **Communication and data privacy:** To ensure open communication, while taking into account commercial confidentiality and respect for individuals' rights to data privacy.

The Code applies to all SCA employees, operations and distributors. It is available in 20 languages at [www.sca.com](http://www.sca.com).

### Raising awareness

In line with the Group's people targets, all employees are to be regularly trained on Code of Conduct compliance and sound business practices, including how to counter corruption, bribery and unethical behaviour. This takes the form of face-to-face and online training provided at regular intervals, and to all new employees. To date, about 98% (97) of employees have received information and training, which includes guidelines on human rights and corruption.

While the Code sets the scene, guidelines give it context. Rolled out in 2010, Code of Conduct guidelines specify both how to meet SCA's expectations and what employees and other stakeholders can expect of SCA.

An updated e-learning module and training material for face-to-face training has been translated into some 20 languages and will comprise a global awareness campaign and refresher course, which will continue until year-end 2012.

### Communication and information security

SCA also continued its Group-wide training, initiated in 2010, to raise awareness on the importance of information management and data security. Improper processing of, for example, customer-related information, price information and intellectual property rights, could result in a negative impact on SCA, both financially and to its reputation. The training is primarily provided through an e-learning tool. At year-end, more

than 18,000 employees had completed the training, the target being 24,000.

### Reporting non-compliance

Sometimes, training, education and audits are not enough. It is also important to have the systems in place to report situations of possible non-compliance. All employees are encouraged to contact their managers, HR and legal departments or, if relevant, their union representative, if they wish to report a situation of potential violations. Additionally, an intranet grievance procedure form, which can be submitted confidentially is available online and in Asia, a third party-operated Code of Conduct helpline is also in place.

## Guidance at heart of monitoring

Code of Conduct and Business Practice compliance is monitored through separate audit procedures, yet with a shared purpose: to guide local operations in how to improve their practices.

Code of Conduct audits, previously called Human Rights Assessments, are conducted by cross-functional teams led by the Internal Audit department. They address both Code compliance and ethical behaviour, and review internal operations and local procurement procedures.

Ongoing since 2005, the audit process was fine-tuned in 2010 and SA8000, the global social accountability standard for decent working conditions, now serves as external guidance for implementing and auditing Code of Conduct compliance. In total, 20 SCA employees from a range of Group functions have been trained by assurance firm SGS to audit according to SA8000. To date, the revised procedure has been applied to three sites.

### Sound business practices

The Internal Audit function has carried out eight Business Practice (BP) audits since its launch in 2008. The audited units account for about 15% of SCA's total business and 71% of operations in risk-defined areas. The audits consist of a paper trail review and interviews with individuals holding managerial, sales and purchasing positions who are potentially exposed to issues such as corruption and unethical business practices.

Audit findings are reported to the Board through the Audit Committee. Following the audit, each unit is expected to deliver a timeline for remediation; follow-up audits only occur in extreme cases of non-compliance. Where necessary, evaluations are performed together with a third party.

### Audit findings

In 2011, week-long BP audits were conducted at SCA's operations in Greece and Central America while Code of Conduct audits took place at facilities in Malaysia and Russia.

The BP audits addressed SCA's relationships with customers, distributors and authorities and were based on interviews with managers in different functions. Both BP audits concluded that business practices in Greece and Central America are in line with SCA's Code of Conduct and there were no indications of any breach of the Code. The audits also demonstrated a risk turned into opportunity – findings show SCA's reputation for ethical behaviour was regarded as a business advantage for the company in both countries.

The Code of Conduct audits indicated alignment to the Code, policies and the SA8000 standard, while also revealing some areas for improvement. The Code's audit of one Russian operation, for example, found compliance to ten of 12 SA8000 chapters and pointed to areas of improvement in overtime and safety measures. Action plans were developed in conjunction with the audit and signed by the local management.

In Malaysia, management were unable to demonstrate that they comply fully with the need to pay a living wage. Management has undertaken to independently establish what the local living wage is in time for the follow-up audit in the second quarter of 2012.

### Violations

In 2011, a total of 27 cases (eight) of violation of the Code of Conduct were reported. Six were cases of business practice and corruption; eight of discrimination; and the remaining 13 ranging from internet misuse to a breach of SCA values. In all cases, disciplinary actions were taken or the employment of staff members involved was terminated. The increase in cases reported compared with the preceding year was due to operations in Asia capturing 20 violations from its hot-line, from minor violations such as internet misuse to a more serious violation of discrimination.

SCA views all forms of violations to the Code of Conduct very seriously and consistently takes appropriate measures when such events occur. In one case of corruption in 2011, an employee requested a fee from a vendor to work with SCA. The vendor reported the case to SCA Human Resources and an investigation took place. Following the internal review, the employee was dismissed and to ensure that all employees were aware of best business practice, a reminder was sent out providing the necessary information.

One case of discrimination involved misuse of email. An employee sent colleagues inappropriate emails with offensive language. These emails were forwarded to the local works council which reported it. The mailings subsequently stopped following disciplinary actions from the employee's supervisor. Another case involved misuse of the Internet, where the employee involved was reprimanded and communicated that a repeat offense would lead to dismissal.

### Reporting ethical performance along the value chain

SCA's Code of Conduct is based on the same universal business practices shared by other trusted companies. It is therefore in line with the expectations of SCA's customers.

To complement SCA's Code and to increase transparency and build trust in the company's approach, SCA is also a reporter of the Supply Ethical Data Exchange (Sedex). Sedex helps inform customers of company performance, risks and approach in a format that is both comparable and easy to use. A majority of SCA facilities currently report into the online system and SCA expects its suppliers to do the same.

### Joint ventures

The company encourages its joint ventures and partners, such as distributors, to also apply the same rigour to their Code of Conduct work.

SCA is involved in a number of joint venture operations. Each of these joint ventures is managed by a local Board comprising SCA representatives and its partners. Issues relating to compliance to their Code are regularly addressed at their Board meetings, and in cases of serious non-compliance, reported directly to SCA.

Tackling the challenge of maintaining high standards among distributors requires SCA to leverage its influence in a more indirect way. A best practice example of the company's approach is from Costa Rica, where it developed training to raise awareness of SCA's values, strategy and codes among distributors Wamase and Coarsa.

“To date, about 71% (66) of SCA's operations in risk-identified countries have been audited for Business Practice compliance.”

## Spotlight on supply chain

SCA's supplier network is becoming increasingly complex and global. To confront that challenge, Group-wide sourcing procedures seek to ensure that SCA's products are manufactured with respect for people and nature.

Managing the supply chain responsibly is an integral part of the sustainability strategy. SCA's objective is to ensure Group-wide supplier alignment to its Global Supplier Standard by 2015.

Today, about 95% of SCA's major supplier contracts include criteria on social responsibility and the environment. The increase can partly be explained by the implementation of the revised global supplier standard in the hygiene operations. All potential suppliers are screened on performance before approval and regularly followed up on compliance. Approximately 20% of the company's general auditing process covers human rights and environment related issues.

No contracts with major suppliers were declined or terminated due to violations during 2011, which is considered a last resort alternative.

To increase Group-wide alignment on responsible sourcing, SCA's supplier standards underwent a revision in 2010, aimed at building a three-pronged platform, with:

- Compliance to the Global Supplier Standard.
- Performance disclosure through Sedex (the world's largest database for sharing ethical supply chain data).
- Audits of suppliers located in high-risk areas.

For the Hygiene business, which has been rolling out the updated standard since January 2011, progress was made in all three areas. At year-end, all major raw-material suppliers had included criteria on Code of Conduct compliance in their contracts. Of the hygiene operation's 235 major, global suppliers 64 reported performance through Sedex in 2011, the first year suppliers were requested to register.

As in its own operations, SCA applies a risk-based approach to monitoring its supply chain. In 2011, there was particular focus on auditing in

China, currently considered a high-risk area because low enforcement levels to national environmental and labour practice laws.

Three suppliers were selected for two-day audits on compliance to the Standard. These audits represent 30% of the purchasing spend in China for the hygiene operations. Although no major non-compliance was identified, audit findings have uncovered cases regarding working hours, health and safety and freedom of association and are followed up within six months. The audited company must submit evidence that the issues are corrected, and the lead auditor will determine whether additional action is required.

### The Standard defined

The Global Suppliers standard addresses issues of quality, product safety, environment, chemicals and the Code of Conduct, and is designed to reflect SCA's commitment to the ten principles of the UN Global Compact. Purchasing departments are responsible for implementation.

Although the standard is applied globally, it will vary slightly for each business to take into account the different issues relevant to their value chains. SCA's other business units are in the process of adapting the global standard. The packaging operations started rolling out to major suppliers at year-end 2011 and Forest Products will launch its in 2012.

### Training

In 2011, about 100 hygiene staff members underwent face-to-face training in the supplier standard. In addition, presentations to raise awareness and secure acceptance among suppliers have been developed. Key raw materials and merchandise suppliers in Asia were trained in how to meet these changing expectations.

### NEW TARGET

#### Supplier standard

Our SCA supplier standard has been developed with suppliers to drive shared values and priorities through our supply chain. We will use it in all supply chain contracts by 2015.



"Today, about 95% of SCA's major supplier contracts include criteria on human rights."

# Towards a safe and healthy workplace

As a company engaged in businesses relating to health and hygiene, and with high standards for workplace safety, ensuring the well-being of its employees is of vital importance to SCA and its stakeholders.

With its large share of production facilities and forestry operations, safety plays a crucial role in operational management. SCA is working towards a vision of achieving accident-free facilities. In light of this, the company defined the target of decreasing its accident frequency rate by 25% between 2011 and 2016, compared with 2011 performance.

### Safety first

Every SCA facility has procedures in place to deliver on the commitment to creating safe workplaces. These procedures aim to identify, address and reduce risks, as well as improve safety awareness and reduce site downtime. The company also has a long tradition of monthly reporting of its performance on Group level.

All management systems applied within SCA include comprehensive safety awareness training, targets, risk identification, continuous performance monitoring, and employee representation on joint health and safety committees. Some 94% (94) of the total workforce is represented on such committees.

### Policy defines a common platform

SCA's Group Health and Safety policy defines how the company manages these issues across its operations and among all employees. Following international standards such as OHSAS 18001, the policy's objective is to ensure that its practices meet stipulations of national legislation and reflect the Code of Conduct.

Since 2009, SCA has a reference team with responsibility for company-wide coordination of

health and safety and making the target relevant to all aspects of the business. A critical incident report system was finalised this year, scheduled for launch in 2012, and incorporates Group-wide data on each serious incident, covering preventive actions taken, recommendations to other SCA sites and contact details for further information.

### Surveying the safety landscape

In order to better understand performance and practices in use during 2011, the target's benchmark year, SCA conducted a survey to map the management systems of every facility.

Findings include that 28% of SCA's operations have been certified according to the OHSAS18001 standard and remaining respondents indicated that they have an alternative certification programme in place. SCA plans to work towards one standard, OHSAS 18001, in the future.

### Training

A proactive mindset that encourages individual responsibility has informed training programmes. This approach helps shift the focus to accident prevention. All new employees and contractors have undergone a safety induction programme and training in fire safety and first aid.

### Measuring and monitoring

Key safety indicators are the basis of the Group's approach to risk identification and they inform the process for continuous improvement. Both dangerous occurrences and minor accidents that do

## NEW TARGET

### Employee Health & Safety

Our aim is to have zero workplace accidents, and we will improve our accident frequency rate by 25% between 2011 and 2016.



not result in absence from work are tracked. The following key performance indicators apply for all operations:

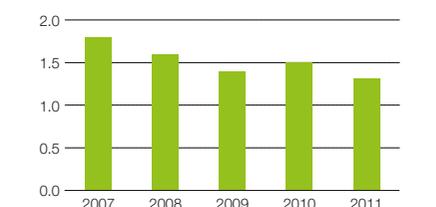
- Number of Lost Time Accidents (LTA): accidents that cause an employee to miss the next regularly scheduled work day/shift.
- Days Lost due to Accidents (DLA): number of work shift/ days lost due to an LTA.
- Accident Severity Rate (ASR): The DLA in relation to LTA.
- Incident Rate (IR): LTA in relation to number of employees.
- Frequency Rate (FR): LTA in relation to hours worked.
- Fatalities.

### Performance

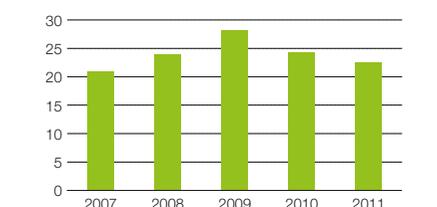
Almost all health and safety performance indicators demonstrated an improvement in 2011 compared with 2010. The accident frequency rate (FR) declined 15% (increase: 14%), while the accident severity rate (ASR) fell 7% (14%).

SCA is also saddened to report that on 29 August 2011 an accident at one of its corrugated box factories in the Czech Republic claimed the life of one of its employees. The 60-year-old

Incident Rate (IR)



Accident Severity Rate (ASR)



Safety statistics

	2011
Lost Time Accidents	492
Days Lost	11,070
Accident Severity Rate	22.5
Incident Rate (incidents/100 employees)	1.3
Frequency Rate (incidents/million hours worked)	7.1
Fatalities	1

More safety statistics on page 66.

## *The wellness effect*

Workplace wellness programmes are becoming more and more widespread with the bottom line: healthy employees tend to be happier and more productive employees. For a company in the business of improving lives, the well-being of employees is an important way of demonstrating that SCA is walking the talk. SCA Americas has conducted an employee health programme since 2008 including regular health check-ups, early detection of health risks and promoting a healthy life style. The business unit has identified diabetes as a crucial issue and supports employees in the highest risk category.



maintenance worker was conducting repairs in a waste-water pit. SCA's investigation indicated that the cause of the accident was that a pump's electrical system had not been activated automatically at the time of the repair.

Investigations have been conducted by both company representatives and civil authorities, the latter of which is still ongoing.

#### **Focus on slips, trips and falls**

Small incidents can have huge consequences. Slips, trips and falls are the cause of some 20% of all accidents in the Group. In a bid to reduce such incidents, a Group-wide evaluation of measures taken locally was performed in 2011 to spread best practice and reduce risk.

#### **Health in focus**

For a company in the business of improving lives, the well-being of employees is an important way of demonstrating that SCA is walking the talk.

Measures to improve health range from improved ergonomics, non-smoking campaigns, work-life balance to training and counselling on how to deal with serious diseases, as well as the importance of nutrition and responsible drinking.

Each business unit is responsible for designing a wellness programme that is most relevant to its operations. SCA Americas identified diabetes as a crucial issue and additional medical support is on hand to support employees in the highest risk category. SCA's European tissue and personal care operations have revamped menus in their canteens to reflect better nutrition. In 2012, a new Group-wide wellness campaign will be launched to further raise awareness.

#### **Programmes to raise employee awareness**

The company has a policy in place since 2009 on Blood-borne viruses (BBVs) and includes such activities as local and national management training. Supporting information material is available in local languages, and on the Group intranet. Employees trained in first aid have received advice on how to identify and safely manage related risk situations.

Employees Group-wide are also engaged in two focus areas – raising awareness on the health hazards of smoking and preventing slips, trips and falls.

# Engaged employees build value

SCA's approach to its employees generates value for its business, demonstrated in high employee retention rates, loyalty and engagement. As markets expand, a greater global outlook will tap more diverse resources to meet changing times.

SCA adapts the way it conducts business to local markets and national legislation. At the same time, the company is united by common goals, a mutual ambition and shared values. SCA is 43,697 (45,341) people strong; three quarters of its staff are based in Europe and two thirds are blue-collar workers.

SCA seeks to create the same mindset, culture and expectations, regardless of where their employees are located and what they work with. The company is working towards this objective through a more global approach to human resource management and constructive engagement with unions and employees.

## Setting the scene

SCA is growing and shifting focus. It is expanding markets in emerging markets – with acquisitions in Mexico in 2010 and Brazil and Turkey in 2011.

In Australasia, SCA divested 50% of its operations to Pacific Equity partners. The newly formed joint venture affects 1,500 SCA employees in Australia, New Zealand and Fiji.

The company is also reorganising its global hygiene operations, which employs 25,000 people, to allow for a more global perspective and greater efficiency.

In 2011, SCA announced the acquisition of Georgia-Pacific's European tissue operations. If this is successfully concluded, it will be one of the biggest acquisitions SCA has made to date. It will add around 5,000 employees, and 15 production sites in seven countries to SCA.

At the beginning of 2012, SCA announced the divestment of its packaging operations, affecting 12,000 employees. DS Smith has made a formal offer to acquire the French part of the packaging operations. This process is subject to an information and consultation procedure with the relevant works councils and will be treated separately.

## Strategic planning

SCA's markets are evolving fast, and it is important that the right competencies are in place to meet them. Strategic workforce planning, based on an analysis of trends and drivers, points to a

need to strengthen competencies in consumer insight and marketing, particularly in emerging markets.

The company's approach to recruitment aims to find the right person, at the right place, at the right time and at the right cost. Part of this equation aims to understand and meet tomorrow's employees; another is to develop a talent planning process that pinpoints the most appropriate people.

The Job Portal, which announces all available jobs within SCA, is an important aspect of recruitment. It is being used extensively during the ongoing restructuring process for the hygiene organisation. Launched in 2009 on the Group's intranet and www.sca.com, the portal brings local talent to the attention of relevant functions, and gives more employees the opportunity to shape their own career. It also promotes a more efficient and transparent recruitment process. A total of 45 countries have joined the portal and 1,213 (1,086) positions were thereby filled in 2011.

## All-employee survey

SCA is a performance-driven company. The year's activities focused on building systems to measure progress through insight. This inclusive approach includes the launch of an all-employee engagement survey, and the Global performance review process was applied more broadly for employee reviews.

While business units have conducted employee engagement surveys in the past, 2011 saw the first Group-wide survey. Results show that SCA's people feel a strong affiliation to their employer. The response rate was 82%, higher than the objective of 75%; 83% expressed that they saw a long-term future with SCA, and thereby have a vested interest in its progress. Its global turnover rate of 12% (9) is low for the industry.

At the same time, the survey pointed to the need for improvement in leadership, performance management and feedback. SCA is working to raise the bar on all of these components.

The results from the survey has been cascaded throughout the organisation to drive improvements and to develop action plans per division for the new year.

## Performance management reviews

All individuals should know how they contribute to the success of the company. Employees should have at least two performance reviews a year with their manager. For many employees, each of these sessions is based on a Group-wide performance management review system that clarifies what is expected and defines new objectives moving forward. It also encourages employees to contribute to the development of their workplace as well as providing feedback against SCA's core values. Through this uniform process, managers clearly connect each individual's contribution to business results. In 2011, 70% (68) of employees participated in performance reviews.

Launched in 2011, an online system has been implemented in all business groups at management level. Managers receive training on how to conduct successful reviews and SCA also informs employees on the process and its purpose. The system can be applied at other company levels and it will be launched globally in 2012.

## Leadership management

In order to integrate the same holistic thinking on leadership across the company, the Global Leadership Platform is built on four pillars and 12 capabilities, and is based on the Group's core values of respect, excellence and responsibility, as well as strategies. SCA managers performance is rated according to the platform.

In 2011 SCA developed a new Group leadership development programme to help managers better drive value creation. To date, 90 managers have participated in the programme. In addition, the Leadership Academy helps mid-level managers become better leaders. Since its inception in 2004, about 350 managers have completed the programme.

## Training and development

Although leadership management is driven globally, most employee development activities are local. The average number of training hours for all employees in 2011 was 19 (18) hours.

**Organisation and talent planning**

SCA needs a steady supply of employees ready and able to step up and assume greater responsibilities. The global Annual Organisation and Talent Review process ensures that each business units has a continually updated succession and talent plan. Similarly at Group level, a corresponding process encompasses SCA's top 300 managers and is led by the CEO.

**Diversity strengthens competitive edge**

The lion's share of SCA's staff is male, with strong representation from Sweden, particularly in top management. Increasing diversity is therefore a key strategic issue for SCA. In competitive terms, greater diversity provides more insight into consumer requirements and how SCA can meet expectations throughout the global marketplace.

An essential element of the Group's Code of Conduct is to ensure that all employees are treated fairly and with respect – regardless of age, gender, ethnicity, religious belief or any other personal characteristic.

**Management diversity survey**

SCA conducts an annual survey of its top managers to measure progress on diversity.

During 2011 the share of females among top 100 managers increased from 16% to 24%. The percentage of Swedish nationals among the 300 most senior managers fell from 34% in 2010 to 32% in 2011, while the figure declined from

28% to 26% among the 1,000 most senior managers.

In 2011, 44 (42) nationalities were represented among the 1,000 most senior executives, of whom 21% (20) were women. Among the 300 most senior executives, 31 (24) nationalities were represented and 16% (16) were women.

Progress towards better representation is measured in diversity reports and is monitored in the talent review process. Encouraging greater diversity is also part of the Leadership Platform and is built into all managers' job descriptions.

**Restructuring and reorganisation**

During periods of restructuring, the company's focus is to provide support to employees affected by organisational changes. This is done primarily through transparent and early discussions with unions, and in the development of a social plan, tailored to assist employees in finding new opportunities.

A top priority is to notify employee representatives at an early stage of restructuring as per SCA policy, national legislation and collective agreements. The average notice period for employees in the SCA Group, which varies per country, in connection with organisational changes is five weeks. Thereafter a social plan, organised and implemented locally, is developed for each operation.

Typically, the plan contains job search assistance, training and other support. It may also

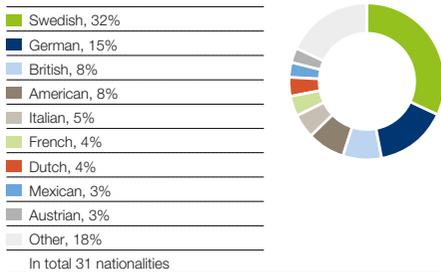
include severance pay, early retirement schemes, and financial incentives to those who find work before the end of their termination period. Support services include individual career counselling, workshops – ranging from supplying practical know-how to support in change management – and administrative support. Local employers are often engaged to help find employment opportunities.

In Linselles, France, the closure of a diaper plant was completed in July 2011, affecting 280 people. The plant was one of the main employers in the region. By year-end, 80 employees had found new jobs or had begun long-term educational programmes. SCA sold the factory premises to new company, which plans to provide 50 positions in the first year and 150 in three years' time, also offering new opportunities for SCA employees.

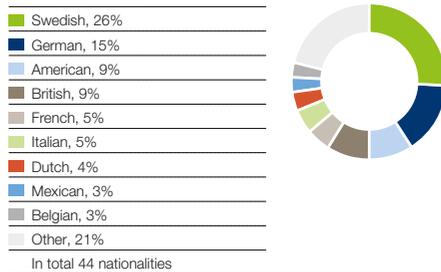
Speedy integration of new employees is also an important part of the acquisition process. Integration is well underway for the Brazilian hygiene products company Pro Descart, which was purchased in September 2011. Compliance to the SCA Code of Conduct was an important part of the due diligence process.

SCA's Code of Conduct was translated into Brazilian Portuguese and distributed among all employees. Within the first 30 days, top-level managers were trained in Code compliance and a town hall meeting with all employees introduced the Code and core values.

**SCA's top management diversity survey, top 300 managers 2011**



**SCA's top management diversity survey, top 1,000 managers 2011**



**Employees**

	Total
Number of employees	43,697
Temporary employees	1,216
Part-time employees	1,635
Employees leaving the company	5,207
<b>Employee turnover</b>	<b>12%</b>

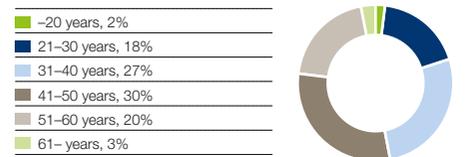
**SCA's top 300 managers by gender 2011**



**SCA's top 1,000 managers by gender 2011**



**Employee age distribution SCA Group 2011**





*Listening to our  
inner voice*

Numerous studies support the idea that there is a link between employee satisfaction and customer satisfaction, productivity, and financial results. It is common sense. When people feel great about the place where they work they perform better. In 2011 SCA conducted its first all employee survey with a high response rate (82%). SCA scored high on engagement while leadership, innovation and customer orientation did not score quite as high. The results have been cascaded down on business unit level and will be followed up with specific measures.

### **Freedom of association and collective bargaining**

SCA has a long tradition of healthy union relations and recognises the right of all employees to join unions. The level of engagement and the existence of formal collective bargaining arrangements vary from country to country, but on average, about 68% (70) of employees at SCA sites are covered by collective bargaining agreements.

SCA conducts formal employee consultation processes in many markets. One of the largest representative groups is the SCA European Works Council (EWC), which represents about 30,000 SCA employees. The relationship is built on a collaborative approach, with regular scheduled meetings. SCA updates representatives on the Group's development, earnings, Code of Conduct, health and safety, organisational issues and the sustainability strategy, engaging them and allowing employees to prepare for change.

In North America, SCA and the United Steelworkers (USW) formed a Joint Advisory Commit-

tee (JAC). JAC comprises union and management representatives and meets three times a year. The JAC meetings include regional updates that provide all participants a chance to share and learn from best practice and discussions around topics such as health and safety and organisational structure. An open and honest dialogue maximises employee engagement and also improve business results.

Union representatives also contributed to the completion of the Code of Conduct guidelines, updated Code of Conduct training material and the formulation of SCA's policy on information security and individual responsibility, in order to ensure that the company does not infringe on the integrity of employees.

### **Global framework agreement**

SCA has an ongoing global framework agreement with the International Federation of Chemical, Energy, Mine and General Workers' Union (ICEM, representing more than 20 million members world-

wide), the Swedish Paper Workers' Union (which in this context represents all the Swedish trade unions) and SCA's European Works Councils.

The Global Framework Agreement commits SCA to report on how it manages social responsibility within its operations. Based on the Code of Conduct, the areas covered by the agreement are reviewed bi-annually in a joint meeting between signatories.

In 2011, areas of discussion covered labour practices and collective bargaining and the participants were informed about SCA's global strategy and its CSR initiatives. No indications had been received that any violations of the agreement had occurred.

## Action at the grassroots

Reaching out through education, partnerships and donations is a powerful way for SCA to make a difference in people's lives, from school programmes in South America to partnerships with the Red Cross and donations of feminine care products to Ethiopian refugee camps.

Community involvement serves not only as a link between SCA and issues closely related to the company – such as the value of forests, the importance of women's and children's health and the taboos related to incontinence – it also builds trust in SCA's approach to doing business. As a major employer in many countries, the company therefore seeks to play an active role in the communities in which it conducts operations.

SCA's approach takes different forms – ranging from financial contributions, cause-related marketing and product donations to volunteer work and partnerships with local, national and international organisations and companies.

The company's sponsorship policy creates a shared approach to sponsorship activities. It is based on SCA's values, business priorities and vision of improving the quality of everyday life, and sets out a framework for all community initiatives. While the guidelines are determined at Group level, the creative process and decision-making often take place at the local level. This approach provides the employees with the scope to be innovative and enterprising while also contributing to the company's social responsibility objectives.

A web-based system registers all projects and their value, making it possible to track project development, identify themes and share experiences.

In 2011, the company collectively invested approximately SEK 24m (35) in community relations, with initiatives in the hygiene business accounting for the predominant portion. The amount corresponds to 0.3% of SCA's operating profit. The decline compared with the preceding year was due to unusually large donations to emergency projects in 2010. However, the number of projects increased from 135 to 296.

Some highlights of community involvement in 2011:

### Product donations

SCA contributed to the efforts of the UN refugee agency (UNHCR) in Ethiopian refugee camps by supplying 1.6 million feminine care products to Somali women and girls forced to flee their homes because of civil war and drought. In emergency situations, women comprise a particularly vulnerable group and sanitary products are crucial for their health and dignity. The feminine care products had a value of about SEK 400,000.

A three-year partnership with Oxfam Novib in South Sudan, which aims to improve hygiene conditions in schools, entered its second year. As part of the agreement, SCA's consumer tissue brand Edet is supporting the partnership by building latrines. SCA's AFH brand Tork is installing other sanitary facilities, including hand-washing sinks, and providing soap and hygiene lessons in schools. SCA's feminine care brand Libresse is providing sponsorship for girls in the form of products and educational scholarships.

Thailand's worst flooding in 50 years affected the lives of millions. In addition to donating Drypers baby diapers to an emergency relief centre on the outskirts of Bangkok, SCA employees also donated time and funds to aid flood victims. Personnel in Malaysia, Singapore, the Philippines and Thailand raised SEK 30,000 for the cause, a donation that was matched by SCA.

### Partnerships

SCA has entered into a long-term partnership with the French Red Cross, based on aiding the country's homeless and encouraging employee involvement. The partnership includes the distribution of hygiene kits, sponsoring an educational road show for teenagers, information actions for the elderly and internal involvement among SCA employees, including first-aid training, fundraising and volunteer work.

In a first phase, 40,000 hygiene kits were distributed with the aim of increasing the number. Co-branded Red Cross and SCA, they contain feminine care products, soap, shampoo, handkerchiefs, body lotion and other essentials.

In New Zealand, SCA's toilet tissue brand Purex is the official sponsor of the Red Cross for 2011. A share of sales was directed to Red Cross initiatives, with sponsorship of both marketing campaigns and an annual Wear Red Day appeal, aimed at raising awareness of heart disease.

In 2011, for the fourth consecutive year, SCA's Sorbent brand partnered with the Cancer Council Australia to support Daffodil Day, donating AUD 150,000, which will be used to fund vital cancer research, prevention and support services. Sorbent has contributed more than AUD 580,000 since starting the partnership.

In Malaysia, SCA's baby diaper brand Drypers entered into a partnership with the National Autism Society of Malaysia. All financial donations made by Drypers in 2011 and 2012 will go to a cultural centre where autistic children will have the opportunity to involve themselves in creative activities such as arts and crafts, music and drama.

### Financial donations

In collaboration with the Japanese business partner, Unicharm, SCA donated SEK 100,000 to the Red Cross emergency teams in Japan to support relief efforts following the earthquake and tsunami in March 2011.

SCA's tissue brand Zewa supported the "Safehouse" campaign to help in the establishment of shelters for women and children who are victims of domestic violence in Serbia. Zewa donated EUR 0.12 for each sold package of Zewa Deluxe toilet paper, or in total SEK 225,000.

### Awareness-raising campaigns

SCA believes that disseminating knowledge and educating customers, consumers and care providers in hygiene issues is an important task. This is carried out through a large number of initiatives across the globe, for example, in the form of parental education programmes, puberty and

menstruation education for young women, and teaching preschool children the importance of washing their hands.

Tork's "Clean hands" hygiene education programme in Russia received the "Best for Children" quality award from the Russia state. The programme was launched in 2010 and, since then, a large number of preschool children have completed the course.

SCA's South American baby diaper brand Pequeñin performs ongoing educational programmes to raise children's awareness of the importance of hygiene. The initiative includes entertaining and engaging school programmes and a home kit of products and information material. Since its inception in 2006, 28,000 children and 450 preschools have taken part.

Several school programmes are under way in Latin America directed at teenage girls to educate them about what happens to their bodies during puberty and menstruation. In Bolivia, Colombia, Ecuador, the Dominican Republic, Chile, Peru and Puerto Rico, more than 1,500,000 girls have completed the programmes since their start. The

programmes are run by SCA's feminine care brands, Nosotras and Donnasept.

About 5–7% of the world's adult population suffer from incontinence. As the world's largest supplier of incontinence care products through the TENA brand, SCA has worked for many years to generate greater awareness concerning incontinence and to break the taboos that surround this condition. SCA supports the biannual Global Forum on Incontinence, a conference that attracts participants from across the globe.

For the fifth consecutive year TENA organised the "For a full life" race/walk in Mexico. More than 5,000 people, most of whom were over the age of 50, participated in the event.

More than 200 nurses and care providers participated in the first TENA Empowering the Elderly seminar in Malaysia. The aim was to educate care providers in matters concerning elderly care and the event was arranged by TENA in collaboration with the Malaysian Healthy Ageing Society and University Putra Malaysia.

In the Netherlands, TENA enabled politicians, care specialists and journalists to gain an under-

standing of how it is to be old. By donning special suits that simulate an aging body, participants gained an insight into how much more complicated daily life becomes in later life and how simple tasks, such as brushing your teeth or going to the toilet, become more difficult.

### **Volunteering**

In December 2011, employees at SCA's US head office in Philadelphia organised a volunteer day. Over the course of three hours, 130 SCA staff members worked for various organisations such as Share (food distribution), The Salvation Army and the Eliza Shirley Shelter (shelter for homeless women), and donated SEK 9,000 to each of the places at which they had volunteered.

In June, 100 of the most senior managers in the North America operations gathered for a management meeting. They chose to spend three hours doing volunteer work while also donating SEK 25,000 to each of the places at which they had volunteered.

*Trees bring joy  
to society*

2011 was the UN International Year of Forests, and SCA took an active role through its Tree Pool programme for employees across Europe to brighten up their communities with a lasting gift.

As Europe's largest private forest owner, it is critical we demonstrate our commitment to the environment. The programme is also a great vehicle for employees to engage with local communities and spread the SCA sustainability message.

The Tree Pool programme supports employees in planting trees where they live, providing their communities with a piece of nature. Participation in the programme has been even greater than expected and trees have been planted around Europe in all kinds of locations, from kindergartens to sports clubs, community centres and town centres.



# Sustainable governance

The main purpose of all governance at SCA is to guarantee the Group's commitments to all of its stakeholders: shareholders, customers, suppliers, lenders, the community and employees; commitments that are expressed in the company's business objectives and strategies.

## Governance of sustainability work

SCA's Corporate Senior Management Team bears the overall responsibility for the control of SCA's business in the environmental and social area.

SCA has a corporate staff unit in charge of sustainability, led by the Senior Vice President Sustainability, who reports to the CEO and is a member of the Corporate Senior Management Team. A part from the environmental, social and economic aspects, the staff is also responsible for SCA's Public Affairs. In close collaboration with the Business Unit Presidents, the approved strategy and objectives are broken down into specific targets and activities to ensure compliance with the Group's objectives and business plans.

The SVP Sustainability chairs the Environmental Committee and the Social Responsibility

Committee. These committees draft proposals for policies and principles for governing the sustainability work, in addition to objectives and action programmes at Group level. They also coordinate and follow up the Group's initiatives and objectives in the environmental and social area. The committees include members of all business groups and representatives of Corporate Sustainability, Human Resources, Environment, Communications and Public Affairs.

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 units to guarantee a consistent approach. Responsibility for the management of specific issues rests within the relevant business unit.

## 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.

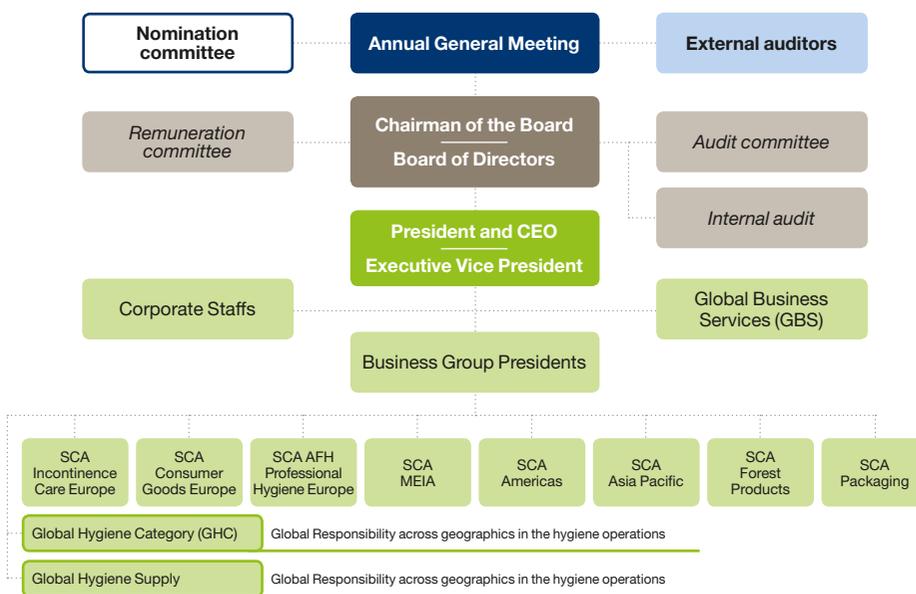
**RMS network:** Responsible for compiling information and making calculations and presentations relating to the use of resources and environmental data.

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

**ESAVE network:** Coordinates the Group's approximately 1,700 projects that aim to reduce SCA's energy consumption and environmental impact.

**Energy network:** Based on the Group's strength, size and extensive energy consumption, the network focuses on identifying cost-efficient solutions and synergies in connection with energy sourcing. Emissions trading is another important area.

## Corporate Governance at SCA



**Governance of social responsibility**

In 2009, SCA introduced a new organisation for governing its social agenda. Work related to social responsibility is based on SCA's Code of Conduct and is supervised by the corporate senior management team. Activities are conducted by a number of task forces consisting of representatives from all business units. These are divided up into 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.

**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 through such activities as Business Practice Reviews (see page 43). As support in its work, the Internal Audit unit has a number of steering documents and policies. For example, competition legislation guidelines are updated every third year and, in 2011, anti-corruption guidelines were developed.

**Risk and risk management**

SCA is exposed to a number of risks with the potential to exert a greater or lesser material impact on the Group. The responsibility for long-term and overall management of strategic risks follows the company's delegation scheme, from the Board to the President, and from the President to the Business Unit Presidents.

A description of the most significant risks that impact SCA's ability to achieve established tar-

gets is presented on pages 58-63 in the Annual Report 2011, together with an account of how these risks are managed.

**Corporate Governance Report**

The complete Corporate Governance Report is available on SCA's website [www.sca.com](http://www.sca.com) and in the 2011 Annual Report.

**SCA's sustainability governance**

# RMS

SCA operates an extensive system of gathering and presenting data for individual production facilities and entire business units. The Resource Management System (RMS) allows SCA to analyse data describing how the company uses energy, water, transport and raw materials, and to monitor 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 one new tissue mill and two new personal care plants. One paper mill and one personal care plant were closed.

### Resources

This section describes SCA's use of raw materials, water, energy and transport in 2011.

#### 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 to the right shows the raw material distribution of SCA's products.

#### Water

SCA's water supply is presented in the chart Raw materials, energy and discharges. The figures stated are totals for surface water, groundwater and municipal water systems. SCA's total water intake is 232 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 2011, SCA delivered 351 GWh of electricity to the national grid.

SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden, which is an effective way of saving energy. In 2011, SCA delivered heat to district heating systems equivalent to 26,385 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 transportation needs. SCA's use of transportation is equivalent to 43.3 billion tonne-kilometres. Sea freight accounts for the greatest portion of SCA's transport and the remainder consists of road and rail. Transportation of SCA's raw materials and products uses the equivalent of 13,372 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 m<sup>3</sup>, are shown in the tables that present Group emissions in 2009, 2010 and 2011.

#### Distribution of water supply

- Surface water, 85%
- Ground water, 12%
- Community water, 3%



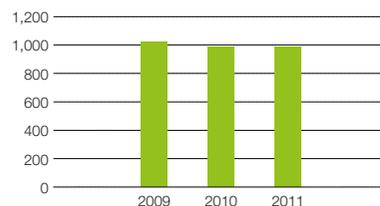
#### Distribution of transport usage

- Ship, 75.9%
- Truck, 19.3%
- Rail, 4.8%



#### Emissions from transport, CO<sub>2</sub>

ktonnes



#### Distribution of electricity supply

- Internal hydro power, 0.2%
- Co-generation, 26.5%
- Grid supply, 73.3%



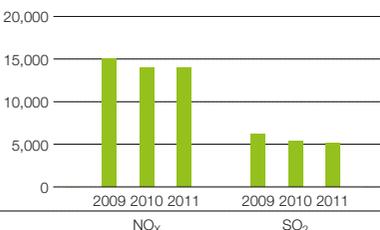
#### Distribution of fuel supply

- Biofuel, 44.6%
- Oil, 3.3%
- Electric boiler, 0.3%
- N-gas+LPG, 51.1%
- Coal, 0.7%



#### Emissions from transport, NO<sub>x</sub> and SO<sub>2</sub>

tonnes



**Emissions to air**

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 2,483 ktonnes and purchased electricity to 1,688 ktonnes during the year.

**Air emissions from transport**

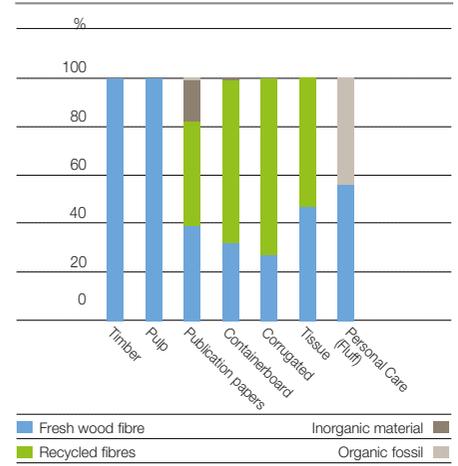
A large portion of SCA's air emissions is generated by transport, rather than the company's production activities. Transport emissions are not included in the tables "Raw materials, energy, and emissions" on page 60, but are presented in the diagrams below.

**Emissions to water**

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 127 Mm<sup>3</sup>. This water is treated using methods similar to those employed at municipal wastewater treatment facilities. The figures for 2011 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.

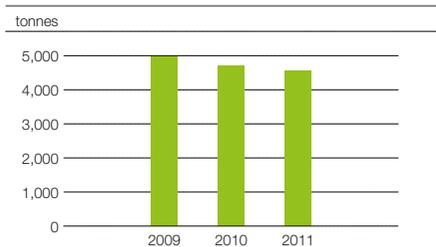
**Distribution of raw materials**



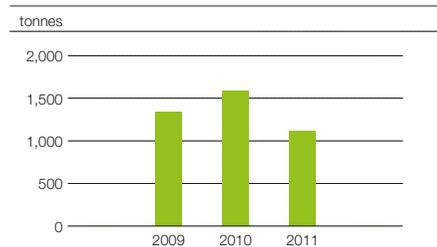
**Solid waste**

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.

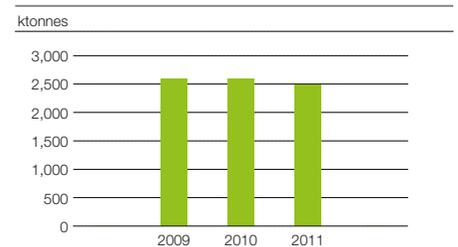
**Air emissions, NO<sub>x</sub>**



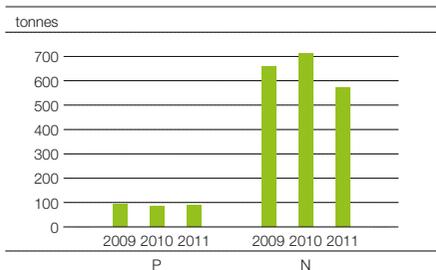
**Air emissions, SO<sub>2</sub>**



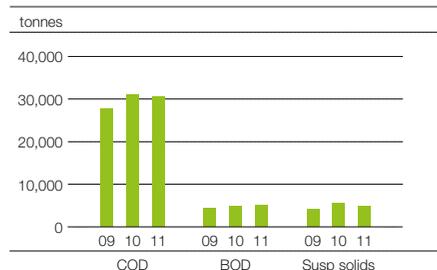
**Air emissions, CO<sub>2</sub> fossil**



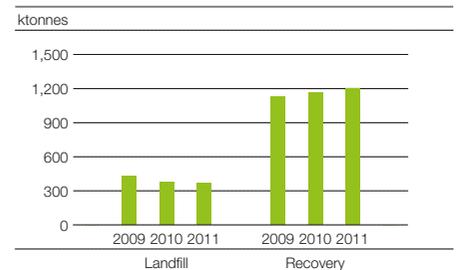
**Water effluents P, N**



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



**Distribution of solid waste**



# Environmental data

## Raw materials, energy and discharges

		Forest Products		Packaging		Tissue Products		Personal Care		SCA Group Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Production</b>											
Paper and pulp	ktonnes	2,429	2,430	3,876	4,014	2,483	2,504			8,787	8,948
Personal Care products	ktonnes							545	536	545	536
Timber and solid-wood products	1,000m <sup>3</sup>	2,006	2,040							2,006	2,040
<b>1. Raw materials</b>											
Wood/sawmill chips*	ktonnes	3,798	3,876	789	692	432	408	0	0	5,019	4,976
Purchased pulp*	ktonnes	99	106	0	0	1,033	1,029	342	332	1,475	1,467
Purchased paper	ktonnes	0	0	0	0	62	46	0	0	62	46
Containerboard*	ktonnes	0	0	1,936	2,084	0	0	0	0	1,936	2,084
Recovered paper	ktonnes	941	933	1,653	1,668	1,662	1,688	0	0	4,257	4,289
Inorganic material	ktonnes	379	362	14	13	0	0	0	0	393	376
Organic fossil material	ktonnes	13	13	15	21	3	5	271	247	301	286
Water	Mm <sup>3</sup>	95	93	47	48	90	90	0	1	232	231
<b>2. Energy</b>											
<b>Electricity</b>											
Internal hydropower	GWhe	15	14	0	0	0	0	0	0	15	14
Co-generation	GWhe	1,216	1,258	706	716	504	502	0	0	2,426	2,477
Grid supply	GWhe	2,479	2,467	729	749	3,102	3,076	411	408	6,721	6,699
<b>Total</b>	<b>GWhe</b>	<b>3,711</b>	<b>3,739</b>	<b>1,435</b>	<b>1,465</b>	<b>3,606</b>	<b>3,578</b>	<b>411</b>	<b>408</b>	<b>9,163</b>	<b>9,191</b>
<b>Fuels</b>											
Biofuel	TJfuel	16,527	17,122	13,774	13,485	4,392	4,237	0	0	34,694	34,844
Fossil fuel	TJfuel	9,927	10,455	9,362	9,905	23,367	23,910	204	248	42,859	44,519
Electric boiler/hood	TJfuel	100	88	8	25	156	170	0	0	263	283
<b>Total</b>	<b>TJfuel</b>	<b>26,554</b>	<b>27,665</b>	<b>23,143</b>	<b>23,415</b>	<b>27,915</b>	<b>28,317</b>	<b>204</b>	<b>248</b>	<b>77,816</b>	<b>79,645</b>
of which co-gen.	TJfuel	8,730	8,942	3,844	3,826	3,263	3,386	0	0	15,838	16,154
<b>3. Discharges</b>											
<b>To air</b>											
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	1,333	1,425	1,516	1,500	1,695	1,762	20	25	4,564	4,712
SO <sub>2</sub>	tonnes	461	453	198	264	457	855	0	0	1,116	1,572
Dust	tonnes	89	185	89	97	138	297	0	0	316	579
CO <sub>2</sub> fossil	ktonnes	587	626	543	587	1,341	1,371	12	14	2,483	2,598
CO <sub>2</sub> fossil, grid electricity	ktonnes	143	138	148	161	1,246	1,246	151	140	1,688	1,684
CO <sub>2</sub> biogenic	ktonnes	1,671	1,761	1,427	1,388	550	525	0	0	3,648	3,675
<b>To water</b>											
COD	tonnes	11,769	11,634	9,778	11,162	8,965	8,224	0	0	30,512	31,020
BOD	tonnes	849	717	2,629	2,737	1,517	1,380	0	0	4,995	4,835
Suspended solids	tonnes	634	585	2,555	3,701	1,584	1,171	0	0	4,773	5,458
AOX	tonnes	7	9	4	6	2	3	0	0	13	19
P	tonnes	28	25	27	38	32	24	0	0	87	87
N	tonnes	221	229	129	230	220	254	0	0	570	713
Effluent water	Mm <sup>3</sup>	41	39	23	21	64	62	0	0	127	122
<b>Solid waste</b>											
Landfill	tonnes	18,580	16,092	12,866	14,286	337,284	338,796	2,069	2,283	370,799	371,457
Recovery	tonnes	300,079	311,716	157,530	154,892	688,577	642,495	55,607	54,240	1,201,793	1,163,342
Hazardous	tonnes	55,853	48,067	822	1,039	1,230	897	32	80	57,937	50,083

\* Partly internal deliveries.

## Facts about the plants – Personal Care

		Mölnlycke Sweden	Falkenberg Sweden	Gennep The Netherlands	Hoogezand The Netherlands	Olawa Poland	Gemerská Hôrka Slovakia	Venkov Russia	Drummondville Canada	Bowling Green US	Selangor Malaysia	Springvale Australia	Te Rapa New Zealand	Ecatepec Mexico	Guadalajara Mexico	Calla Colombia	Pionero Colombia	Total Personal Care 16 plants	
<b>2011</b>																			
<b>Grades</b>																			
<b>Production</b>	<b>ktonnes</b>	<b>4</b>	<b>77</b>	<b>88</b>	<b>87</b>	<b>45</b>	<b>29</b>	<b>6</b>	<b>33</b>	<b>28</b>	<b>63</b>	<b>6</b>	<b>4</b>	<b>22</b>	<b>10</b>	<b>24</b>	<b>18</b>	<b>545</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	0	<b>0</b>
Co-generation	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Grid supply	GWhe	5	48	37	78	36	31	9	27	27	42	9	1	22	8	17	14	<b>411</b>	
<b>Total</b>	<b>GWhe</b>	<b>5</b>	<b>48</b>	<b>37</b>	<b>78</b>	<b>36</b>	<b>31</b>	<b>9</b>	<b>27</b>	<b>27</b>	<b>42</b>	<b>9</b>	<b>1</b>	<b>22</b>	<b>8</b>	<b>17</b>	<b>14</b>	<b>411</b>	
<b>Fuels</b>																			
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Fossil fuel	TJfuel	13	0	27	77	16	28	25	3	9	5	0	0	0	0	1	1	<b>204</b>	
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
<b>Total</b>	<b>TJfuel</b>	<b>13</b>	<b>0</b>	<b>27</b>	<b>77</b>	<b>16</b>	<b>28</b>	<b>25</b>	<b>3</b>	<b>9</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</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>0</b>	
<b>Discharges</b>																			
<b>To air</b>																			
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	1.3	0	2.7	7.7	1.6	2.8	2.5	0.3	0.9	0.5	0	0	0	0	0.1	0.1	<b>20</b>	
SO <sub>2</sub>	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
Dust	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
CO <sub>2</sub> fossil	ktonnes	0.8	0	1.5	4.3	0.9	1.6	1.4	0.2	0.5	0.3	0	0	0	0	0.1	0.1	<b>12</b>	
CO <sub>2</sub> fossil, grid electricity	ktonnes	0.2	2.1	14.0	29.1	23.0	6.8	2.7	4.4	13.9	27.5	7.9	0.2	10.0	3.7	3.0	2.5	<b>151</b>	
CO <sub>2</sub> biogenic	ktonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
<b>To water</b>																			
COD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
BOD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
Suspended solids	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
AOX	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
P	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
N	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
Effluent water	Mm <sup>3</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>	
<b>Solid waste</b>																			
Landfill	tonnes	0	0	0	0	279	145	0	289	117	15	532	N/A	331	222	0	139	<b>2,069</b>	
Recovery	tonnes	139	7,287	5,665	9,997	5,308	7,059	1,059	3,649	3,460	2,215	659	228	3,140	1,144	2,218	2,382	<b>55,607</b>	
Hazardous	tonnes	0	0	0	0	0	11	0	8	5	0	0	N/A	1	2	1	3	<b>32</b>	

## Facts about the plants – Tissue

		Edlet 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
2011 Grades		ti	ti	ti	ti	ti	ti	ti	ti,gp	bsi	ti,gp, pp,bsi	ti	ti	ti	ti,nw	ti	ti	ti	ti
Production	ktonnes	98	16	17	89	26	55	48	68	286	215	323	93	105	29	6	63	27	131
<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	10	0	0	0	0	0	0	0	95	155	250	22	0	0	0	0	0	83
Grid supply	GWhe	134	20	24	135	34	49	108	76	308	0	308	99	140	28	11	62	80	62
<b>Total</b>	GWhe	<b>143</b>	<b>20</b>	<b>24</b>	<b>135</b>	<b>34</b>	<b>49</b>	<b>108</b>	<b>76</b>	<b>403</b>	<b>155</b>	<b>558</b>	<b>121</b>	<b>140</b>	<b>28</b>	<b>11</b>	<b>62</b>	<b>80</b>	<b>145</b>
<b>Fuels</b>																			
Biofuel	TJfuel	562	70	0	0	0	0	0	0	66	3,692	3,757	0	0	0	0	0	0	4
Fossil fuel	TJfuel	168	61	60	1,124	261	472	588	474	1,679	2,335	4,014	868	672	191	41	357	451	1,346
Electric boiler	TJfuel	71	0	85	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	TJfuel	<b>801</b>	<b>130</b>	<b>144</b>	<b>1,124</b>	<b>261</b>	<b>472</b>	<b>588</b>	<b>474</b>	<b>1,744</b>	<b>6,027</b>	<b>7,771</b>	<b>868</b>	<b>672</b>	<b>191</b>	<b>41</b>	<b>357</b>	<b>451</b>	<b>1,349</b>
of which co-gen.	TJfuel	40	0	0	0	0	0	0	0	874	224	1,098	0	0	0	0	0	0	492
<b>Discharges</b>																			
<b>To air</b>																			
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	57	9	4	57	6	43	19	32	64	524	588	9	29	19	1	19	45	48
SO <sub>2</sub>	tonnes	2	2	0	3	3	0	0	0	14	294	307	0	0	0	0	0	0	0
Dust	tonnes	0	0	0	2	0	0	0	0	0	41	41	0	2	0	0	0	0	0
CO <sub>2</sub> fossil	ktonnes	11	4	4	63	15	26	33	27	135	91	226	49	38	11	2	20	25	75
CO <sub>2</sub> fossil, grid electricity	ktonnes	5	1	1	61	15	22	48	17	133	0	133	42	60	12	4	6	7	10
CO <sub>2</sub> biogenic	ktonnes	72	6	0	0	0	0	0	0	145	327	472	0	0	0	0	0	0	0
<b>To water</b>																			
COD	tonnes	384	107	142	135	E/T	33	E/T	56	260	4,248	4,508	123	81	E/T	E/T	34	E/T	255
BOD	tonnes	88	36	N/A	4	E/T	4	E/T	21	61	204	265	7	5	E/T	E/T	11	E/T	16
Suspended solids	tonnes	76	18	39	15	E/T	7	E/T	3	58	194	252	1	3	E/T	E/T	3	E/T	21
AOX	tonnes	0	0	0	0	E/T	0	E/T	0	0	0	0	0	0	E/T	E/T	0	E/T	0
P	tonnes	1	0	0	0	E/T	0	E/T	0	3	9	11	1	0	E/T	E/T	0	E/T	1
N	tonnes	17	3	5	0	E/T	0	E/T	1	19	65	85	5	9	E/T	E/T	1	E/T	10
Effluent water	Mm <sup>3</sup>	4	0	1	2	1	0	1	1	4	12	16	1	1	0	0	0	1	4
<b>Solid waste</b>																			
Landfill	tonnes	0	2	32,093	10,946	155	0	15	183	102	102	203	0	0	0	0	0	0	0
Recovery	tonnes	40,336	18,104	1,259	52,946	53,726	5,051	7,569	4,221	45,204	33,135	78,339	77,577	3,777	299	2,428	3,914	1,204	112,062
Hazardous	tonnes	27	3	0	1	0	17	18	50	14	452	466	37	132	22	2	24	0	29

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



## 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 52 plants	EPS Europe 12 plants	Total Packaging
<b>2011</b>											
<b>Grades</b>		kl, wtl	kl, tl	tl, fl	fl	tl, fl	tl, fl, wtl	fl			
<b>Production</b>	<b>ktonnes</b>	<b>323</b>	<b>416</b>	<b>333</b>	<b>353</b>	<b>326</b>	<b>375</b>	<b>2,127</b>	<b>1,737</b>	<b>12</b>	<b>3,876</b>
<b>Energy</b>											
<b>Electricity</b>											
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0
Co-generation	GWhe	181	110	123	148	136	2	700	6	0	706
Grid supply	GWhe	125	211	5	2	2	167	511	202	16	729
<b>Total</b>	<b>GWhe</b>	<b>306</b>	<b>321</b>	<b>128</b>	<b>150</b>	<b>138</b>	<b>169</b>	<b>1,211</b>	<b>208</b>	<b>16</b>	<b>1,435</b>
<b>Fuels</b>											
Biofuel	TJfuel	5,550	4,239	0	369	3,513	35	13,705	49	20	13,774
Fossil fuel	TJfuel	308	365	2,457	2,647	57	1,617	7,452	1,760	149	9,362
Electric boiler	TJfuel	8	0	0	0	0	0	8	0	0	8
<b>Total</b>	<b>TJfuel</b>	<b>5,865</b>	<b>4,604</b>	<b>2,457</b>	<b>3,016</b>	<b>3,570</b>	<b>1,652</b>	<b>21,165</b>	<b>1,810</b>	<b>168</b>	<b>23,143</b>
of which co-gen.	TJfuel	763	462	698	1,282	572	35	3,811	33	0	3,844
<b>Discharges</b>											
<b>To air</b>											
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	393	261	102	365	166	32	1,320	179	17	1,516
SO <sub>2</sub>	tonnes	92	28	0	1	3	0	123	51	24	198
Dust	tonnes	44	29	0	1	4	0	77	12	0	89
CO <sub>2</sub> fossil	ktonnes	25	29	138	148	3	91	433	101	9	543
CO <sub>2</sub> fossil, grid electricity	ktonnes	7	9	2	1	1	65	84	60	4	148
CO <sub>2</sub> biogenic	ktonnes	578	451	0	40	349	2	1,420	5	2	1,427
<b>To water</b>											
COD	tonnes	5,597	2,929	247	244	207	263	9,487	291	0	9,778
BOD	tonnes	2,073	402	14	19	10	22	2,540	89	0	2,629
Suspended solids	tonnes	1,214	1,185	16	34	11	64	2,524	31	0	2,555
AOX	tonnes	3	1	0	0	0	0	4	0	0	4
P	tonnes	5	17	1	1	1	3	27	0	0	27
N	tonnes	23	76	6	8	4	12	129	0	0	129
Effluent water	Mm <sup>3</sup>	10	7	2	1	1	2	22	0	0	23
<b>Solid waste</b>											
Landfill	tonnes	2,552	218	38	0	0	7,122	9,930	2,589	346	12,866
Recovery	tonnes	15,158	29,908	21,889	36,968	16,477	33,490	153,890	3,280	360	157,530
Hazardous	tonnes	83	80	35	47	56	81	382	439	2	822

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

		Ortiken Sweden	Östrand Sweden	Laakirchen Austria	Aylesford UK	Total		
						Pulp and paper 4 mills	Forest operations 8 mills	Forest Products
<b>2011</b>								
<b>Grades</b>		np, lwc	bk, ctmp	sc	np	solid-wood products		
<b>Production</b>	<b>ktonnes</b>	<b>886</b>	<b>491</b>	<b>529</b>	<b>377</b>	<b>2,283</b>	<b>146</b>	<b>2,429</b>
	1,000 m <sup>3</sup>						<b>2,006</b>	<b>2,006</b>
<b>Energy</b>								
<b>Electricity</b>								
Internal hydro power	GWhe	0	0	15	0	<b>15</b>	<b>0</b>	<b>15</b>
Co-generation	GWhe	50	436	412	318	<b>1,216</b>	<b>0</b>	<b>1,216</b>
Grid supply	GWhe	2,038	53	188	30	<b>2,309</b>	<b>170</b>	<b>2,479</b>
<b>Total</b>	<b>GWhe</b>	<b>2,088</b>	<b>489</b>	<b>615</b>	<b>348</b>	<b>3,540</b>	<b>170</b>	<b>3,711</b>
<b>Fuels</b>								
Biofuel	TJfuel	2,420	12,152	0	399	<b>14,972</b>	<b>1,555</b>	<b>16,527</b>
Fossil fuel	TJfuel	421	900	4,242	4,135	<b>9,697</b>	<b>229</b>	<b>9,927</b>
Electric boiler	TJfuel	68	0	0	0	<b>68</b>	<b>32</b>	<b>100</b>
<b>Total</b>	<b>TJfuel</b>	<b>2,909</b>	<b>13,052</b>	<b>4,242</b>	<b>4,534</b>	<b>24,737</b>	<b>1,817</b>	<b>26,554</b>
of which co-gen.	TJfuel	221	1,837	2,147	4,526	<b>8,730</b>	<b>0</b>	<b>8,730</b>
<b>Discharges</b>								
<b>To air</b>								
NO <sub>x</sub> as NO <sub>2</sub>	tonnes	172	702	108	254	<b>1,235</b>	<b>97</b>	<b>1,333</b>
SO <sub>2</sub>	tonnes	27	414	0	3	<b>445</b>	<b>16</b>	<b>461</b>
Dust	tonnes	20	36	0	5	<b>61</b>	<b>28</b>	<b>89</b>
CO <sub>2</sub> fossil	ktonnes	30	70	238	232	<b>570</b>	<b>17</b>	<b>587</b>
CO <sub>2</sub> fossil, grid electricity	ktonnes	89	2	31	13	<b>135</b>	<b>7</b>	<b>143</b>
CO <sub>2</sub> biogenic	ktonnes	241	1,237	0	52	<b>1,530</b>	<b>141</b>	<b>1,671</b>
<b>To water</b>								
COD	tonnes	4,172	5,738	962	818	<b>11,689</b>	<b>80</b>	<b>11,769</b>
BOD	tonnes	125	620	36	32	<b>813</b>	<b>36</b>	<b>849</b>
Suspended solids	tonnes	282	206	55	90	<b>633</b>	<b>1</b>	<b>634</b>
AOX	tonnes	1	5	0	0	<b>6</b>	<b>1</b>	<b>7</b>
P	tonnes	3	17	3	4	<b>27</b>	<b>0</b>	<b>28</b>
N	tonnes	81	120	2	18	<b>221</b>	<b>0</b>	<b>221</b>
Effluent water	Mm <sup>3</sup>	13	15	7	5	<b>41</b>	<b>0</b>	<b>41</b>
<b>Solid waste</b>								
Landfill	tonnes	411	20	0	12,719	<b>13,150</b>	<b>5,430</b>	<b>18,580</b>
Recovery	tonnes	38,924	54,308	168,361	34,511	<b>296,104</b>	<b>3,975</b>	<b>300,079</b>
Hazardous	tonnes	301	399	62	54,795	<b>55,557</b>	<b>296</b>	<b>55,853</b>

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

## Social data

	2011	2010	2009	2008	2007
Number of employees	43,697	45,341 <sup>1)</sup>	49,531	51,999	50,433
of whom female, %	27	26	27	29	25
Employees leaving the company	5,207	4,269	5,768	7,511	6,852
Employees joining the company	4,809	4,262	3,832	6,255	7,202
Age distribution, %					
–20 years	2	2	2	3	2
21–30 years	18	18	20	20	19
31–40 years	27	28	29	29	30
41–50 years	30	30	29	29	29
51–60 years	20	19	18	17	18
60+ years	3	3	2	2	2
Employee turnover, %	12	9 <sup>2)</sup>	12	14	–
Academic degree or similar	14	16	15	13	15
Competence development, cost per employee	19	18	14	9 <sup>3)</sup>	–
Diversity:					
Nationalities, top 300 managers	31	24	27	28	31
Nationalities, top 1,000 managers	44	42	41	39	44
Female managers of top 300 managers, %	16	16	13	12	10
Female managers of top 1,000 managers, %	21	20	20	19	16
Women, of total number of Board members and senior executives, %	16	14	18	14	14
<b>Health and safety</b>					
Lost Time Accidents (LTA)	492	569	564	685	770
Days Lost (DLA)	11,070	13,810	15,947	16,181	15,812
Accident Severity Rate (ASR), %	22.5	24.3	28.3	23.7	20.5
Incident Rate, %	1.3	1.5	1.4	1.6	1.8
Frequency Rate (FR), %	7.1	8.3	7.3	8.5	9.5
Fatalities	1	1	2	0	3 <sup>4)</sup>
<b>Sick leave, Swedish companies, %</b>					
In total	3	3	3	4	4
Men	3	3	3	4	4
Women	3	4	4	5	6
Of which 60 consecutive days or more	37	44	45	45	48
<b>Code of Conduct</b>					
Business Practice Reviews	Central America, Greece	Italy, Mexico	Russia	3 reviews, Eastern Europe	N/A
Code of Conduct assessments	Malaysia, Russia	Mexico	–	–	China, Singapore, Malaysia, Costa Rica, Greece, Spain, the Czech Republic and Hungary

<sup>1)</sup> The personnel reduction of 4,200 persons is attributable to the divestment of the Asian packaging operations.

<sup>2)</sup> Excl. the divestment of the Asian packaging operations.

<sup>3)</sup> Training hours for 2008 and 2009 are reported in accordance with different systems.

<sup>4)</sup> 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 fourth 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.

When adjustments have been made compared with earlier reports, a note is appended directly beside the text or table.

### GRI

During 2011, 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.

The entire sustainability report has been reviewed by PwC. 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 2011 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. Certain data is presented for comparison, meaning adjustments for acquisitions and divestments are eliminated.

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 page 58) and the Group's accounting system, ABS.

The RMS covers more than 170 production sites, covering virtually the whole company's environmental impact and resource utilisation from production. Each unit reports the following data to the system:

- raw material consumption
- incoming and outgoing shipments
- production volumes
- energy consumption broken down by hydro-electric 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. The social GRI indicators are reported through the ABS system.

At the beginning of 2012, a position as Director of Sustainability Reporting was established to further strengthen reporting procedures in the area of sustainability.

# Auditor's Combined Assurance Report on the Sustainability Report

## To the readers of the Svenska Cellulosa Aktiebolaget SCA (publ) Sustainability Report 2011

We have been engaged by the management of Svenska Cellulosa Aktiebolaget SCA (publ) to perform an examination of the SCA Sustainability Report for the year 2011. 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 examination.

### The scope of the examination

We have performed the assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. The objective of an audit is to obtain reasonable assurance that the information in the Sustainability Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A review is mainly limited to making inquiries of personnel responsible for sustainability issues, and applying analytical and other review procedures. Hence, the conclusion based on our review procedures does not comprise the same level of assurance as the conclusion of our audit. Since this assurance engagement is combined, our conclusions regarding the audit and the review will be presented in separate sections.

Our assurance engagement includes examination of the following areas, with the purpose of either providing reasonable assurance (hereafter referred to as audit) or limited assurance (hereafter referred to as review):

1. Our review has included all pages in the Sustainability Report.
2. Our audit is limited to the following information:
  - a. financial indicators on page 18,
  - b. environmental data regarding water, grid supply, biofuel, and waste to recovery on page 60.

Our assurance, reasonable or limited, does not comprise the assumptions used by the company or whether or not it is possible for the company to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our examination is based are the parts of the Sustainability Reporting

Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

### Review procedures

The main procedures of our review have included the following:

- a. update of our knowledge and understanding of SCA's organization and activities,
- b. assessment of the outcome of the company's stakeholder dialogue,
- c. interviews with management at group level and at selected business units in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- d. examination of internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- e. evaluation of the design of systems and processes used to obtain, manage and validate sustainability information,
- f. analytical procedures of the information stated in the Sustainability Report,
- g. assessment of the company's declared application level according to the GRI guidelines,
- h. assessment of the overall impression of the Sustainability Report, and its format, taking into consideration the consistency of the stated information with applicable criteria,
- i. reconciliation of the reviewed information with the sustainability information in the company's Annual Report for the financial year 2011.

### Audit procedures

Our audit has included the following procedures:

- a. evaluation of design and functionality of relevant internal controls within the systems and processes used to collect, manage and validate information on the selected indicators during the reporting period.
- b. reconciliation of reported information with internal and external source documents, and performing detailed tests of the selected indicators regarding water, grid supply, biofuel, and waste to recovery on page 60 in the Sustainability Report, and

- c. reconciliation of financial indicators on page 18 with SCA's Annual Report for the financial year 2011.

We consider the evidence collected during our examination to be sufficient and appropriate in order to support our conclusions listed below.

### Conclusions

#### *Our conclusion based on our review*

Based on our procedures performed, nothing has come to our attention that causes us to believe that the information in the SCA Sustainability Report which has been subject to our review has not, in all material respects, been prepared in accordance with the above stated criteria.

#### *Our conclusion based on our audit*

In our opinion, the information in the SCA Sustainability Report which has been subject to our audit has, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 21 February 2012

PricewaterhouseCoopers AB



Anders Lundin  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of Far

# Global Compact Report

SCA became a member of the United Nations corporate citizenship initiative, Global Compact, in July 2008, joining a network of more than 8,700 businesses and other participants from more than 130 countries 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 at [www.sca.com](http://www.sca.com)

## UNGC and GRI cross reference table

The following table shows how performance in relation to 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

# GRI Index

SCA's Sustainability Report for 2011 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 1,700 companies around the world applying the guidelines. This is the fourth report in which SCA applies GRI guidelines. SCA is reporting on the A+ level as defined by GRI, which has been confirmed by PwC.

<b>PROFILE</b>	
<b>1. STRATEGY &amp; ANALYSIS</b>	
1.1 CEO's comments	SR 2–3
1.2 Description of key impacts, risks and opportunities	AR 58–63
<b>2. ORGANISATIONAL PROFILE</b>	
2.1 Name of the organisation	AR 113
2.2 Primary brands, products, and services	AR 18–19, 21, 29, 37, 43
2.3 Operational structure of the org.	SR 56–57 + AR 12
2.4 Location of organisation's headquarters	SR back cover
2.5 Countries where the organisation is active	AR 87
2.6 Nature of ownership and legal form	AR 4–5
2.7 Markets	AR 21, 29, 38, 43
2.8 Size of the organisation	SR inside cover + AR inside cover
2.9 Significant changes during the reporting period	AR 13
2.10 Awards received during the reporting period	SR 1
<b>3. REPORT PARAMETERS</b>	
<b>Report profile</b>	
3.1 Reporting period	SR 67 + AR 76
3.2 Date of most recent previous report	SR 67
3.3 Reporting cycle (12 months, 24 months, etc.)	SR 67
3.4 Contact person for questions regarding the report	SR back cover
<b>Report scope &amp; boundaries</b>	
3.5 Process for defining report content	SR 15, 67
3.6 Boundary of the report	SR 67
3.7 Specific limitations on the scope or boundary of the report	SR 67
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	SR 67
3.9 Data measurement and calculation principles	SR 58, 67
3.10 Comparability with previous reports	SR 67
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	SR 58, 67
<b>GRI content index</b>	
3.12 Table identifying the location of the Standard Disclosures in the report	SR 70–71
3.13 Policy and current practice in regard to external verification of the report	SR 68
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>	
<b>Governance</b>	
4.1 Governance structure for the organisation	SR 56–57
4.2 The Chairman of the Board's role in the organisation	AR 48
4.3 Independent and/or non-executive Board members	AR 50
4.4 Methods for shareholders and employees to propose recommendations, etc. to the Board	AR 48
4.5 Remuneration to senior executives	AR 88 (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 42
4.9 The Board's monitoring of the sustainability work	SR 57 + sca.com
4.10 Processes for evaluating the Board's own performance	AR 51 + sca.com

## Commitments to external initiatives

4.11 Explanations of if and how the precautionary principle is applied	sca.com
4.12 Association to external voluntary codes, principles or other initiatives	sca.com
4.13 Membership in organisations	SR 14

## Stakeholder engagement

4.14 List of stakeholder groups	SR 11–15
4.15 Basis for identification and selection of important stakeholders	SR 11–15
4.16 Approach to stakeholder relations	SR 11–15
4.17 Key topics and concerns that have been raised through dialogues with stakeholders	SR 11–15

## 5. ECONOMIC PERFORMANCE INDICATORS

<b>Disclosure on management approach</b>	AR 9, 48 + SR 7
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### Economic performance

EC1 Direct economic value and distribution	SR Inside cover, 22
EC2 Risks and opportunities for the organisation due to climate changes	SR 8, 25, 30
EC3 Coverage of the organisation's defined benefit plan obligations	SR 22 + AR 103 (Note 26)
EC4 Financial assistance received from government	AR 80

### Market presence

EC5 Range of ratios for standard entry level wage compared to local minimum wage	SR 22 + sca.com
EC6 Purchases from local suppliers	SR 22
EC7 Local hiring and proportion of senior management hired from the local community	SR 50 + sca.com

### Indirect economic impact

EC8 Infrastructure investments and services provided for public purposes	SR 53–54 + sca.com
EC9 Significant indirect economic impacts, including the extent of impacts	SR 22, 53–54

## 6. ENVIRONMENTAL PERFORMANCE INDICATORS

<b>Disclosure on management approach</b>	SR 7, 56–57 + sca.com
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### Materials

EN1 Materials used by weight or volume	SR 32, 59–60
EN2 Recycled input materials	SR 33, 59–60

### Energy

EN3 Direct energy consumption	SR 29, 58, 60
EN4 Indirect energy consumption	SR 29, 58, 60
EN5 Energy saved due to conservation and efficiency improvement	SR 29–30

### Water

EN8 Total water withdrawal	SR 36, 58
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### Biodiversity

EN11 Location/scope of land owned near protected areas/areas of biodiversity value	SR 35 + sca.com
EN12 Factors that affect biodiversity	sca.com

### Emissions, effluents & waste

EN16 Direct and indirect greenhouse gas emissions	SR 59–60
EN17 Other relevant indirect greenhouse gas emissions	SR 58
EN18 Initiatives to reduce greenhouse gas emissions	SR 10, 28–31
EN19 Emissions of ozone-depleting compounds	sca.com
EN20 NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	SR 58–60
EN21 Emissions to water	SR 59–60
EN22 Waste	SR 59–60
EN23 Significant spills	sca.com

**Products & services**

EN26 Actions to reduce environmental impacts of products and services	SR 28–39
EN27 Products sold and their packaging materials that are reused	SR 59 + sca.com

**Compliance**

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

EN29 Environmental impact from transport	SR 58–59
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**7. SOCIAL PERFORMANCE INDICATORS****Disclosure of management approach** SR 7, 56–57 + sca.com**Employment****Employees**

LA1 Total workforce by function, employment type and region	SR inside cover, 49 + AR 87
LA2 Rate of employee turnover	SR 49, 66 + sca.com

**Labour/management relations**

LA3 Benefits provided to full-time employees	sca.com
LA4 Percentage of employees covered by collective bargaining agreements	SR 52
LA5 Minimum notice period(s) regarding operational changes	SR 50

**Health & safety**

LA6 Percentage of total workforce represented in health and safety committees	SR 46
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	SR 46, 66
LA8 Programs to assist workforce regarding serious diseases	SR 46–48 + sca.com
LA9 Health and safety topics covered in formal agreements with trade unions	SR 52

**Training & education**

LA10 Average hours of training per year per employee	SR 50
LA11 Programmes for skills management and lifelong learning	sca.com
LA12 Percentage of employees receiving regular performance reviews	SR 49

**Diversity & equal opportunity**

LA13 Composition of governance bodies and workforce	SR inside cover, 50, 66 + AR 54–57, 87 (Note 5)
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 52 + sca.com
HR2 Human rights in the supplier chain	SR 45
HR3 Training and education in human rights	SR 43

**Non-discrimination**

HR4 Total number of incidents of discrimination and actions taken	SR 44
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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 + sca.com
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**Society****Community**

SO1 Programmes for evaluating the operation's impacts on communities	SR 42 + sca.com
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**Corruption**

SO2 Business units analysed for risks related to corruption	SR 42
SO3 Employees trained in the organisation's anti-corruption policies and procedures	SR 43
SO4 Actions taken in response to incidents of corruption	SR 44

**Public policy**

SO5 Participation in public policy development and lobbying	SR 14 + 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 39 + 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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# Glossary

**Anaerobic treatment** Anaerobic wastewater treatment uses biological agents in an oxygen-free environment to remove impurities from wastewater.

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

**ASR (Accident Severity Rate)** The severity of accidents defined as the number of days lost due to accidents (DLA) in relation to the number of lost time accidents (LTA). Refer also to FR, IR and Lost Time Accidents (LTA).

**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).

**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.

**Biofuel** Renewable fuel from wood and process residues.

**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 seven days in SCA's Swedish mills and five 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 per day should follow the IPPC directive (see IPPC).

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

**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 and the world's oceans are considered to be "carbon sinks" by current science.

**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).

**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.

**Chemical pulp** Pulp from wood fibres processed chemically, normally by cooking.

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

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

**CHP** See Co-generation or Combined Heat and Power.

**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<sub>2</sub> biogenic** The carbon dioxide derived from combustion of biofuel. It is calculated from the carbon content of wood.

**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>.

**CO<sub>2</sub> fossil** The carbon dioxide derived from combustion of fossil fuels. It is calculated from the carbon content of each fuel.

**COD, Chemical oxygen demand** Water emission factor which describes the amount of oxygen 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.

**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.

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

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

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

**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).

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

**Dust** Particles in the flue gas created during combustion.

**EDANA** International association serving the nonwovens 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](http://www.edana.org) and [www.hapco.edana.org](http://www.hapco.edana.org)

**Effluent water** Water discharged to water courses after treatment.

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

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

**Environmental Management System** The part of the overall management system which includes the structure, practices, procedures and resources for the systematic implementation of the organisation'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 1 January 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.

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

**Freedom of Association** Refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organise 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 fibre. First generation use of raw material derived from wood.

**FSC, Forest Stewardship Council** An international organisation 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 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.

**Grid supply** The electricity supplied from the national grid.

**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](http://www.hapco.edana.org).

**Hazardous waste** Material disposed of by authorised contractors, as defined by national laws. 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 LTAs and Frequency Rate.

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

**Internal hydropower** Electricity produced in wholly owned local hydro power stations.

**International Labour Organization, ILO** The International Labour Organization is a United Nations Agency, which establishes Conventions on Labour standards that are binding for member states when ratified. There are over 150 ILO Conventions, eight 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 ecolabelling.

**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.

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

**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.

**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 fibre) and testliner or fluting (based on recycled fibre).

**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).

**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.

**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 that is ground or chipped for mechanical refining to separate the fibres that 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.

**NO<sub>x</sub> as NO<sub>2</sub>** The nitrogen oxides NO and NO<sub>2</sub>, calculated as NO<sub>2</sub> derived from combustion. Where NO<sub>x</sub> is not measured, a standard value of 100 mg/MJ fuel is used.

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

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

**Opacity** Degree to which something is opaque.

**Organic fossil material** Covers crude-oil-based materials, such as super-absorbents and adhesives calculated at 100% dry substances.

**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.

**Purchased pulp** The sum of pulp supplied to a site.

**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 with the central European Chemical Agency (ECHA) in Helsinki. Companies will have to obtain authorisation to use hazardous chemicals.

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

**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.

**SO<sub>2</sub>** Total sulphur calculated as SO<sub>2</sub> from processes and combustion at the site. Where SO<sub>2</sub> is not measured, the input sulphur in the fuel is calculated.

**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 organisation 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.

**Suspended solids** Particles that are not dissolved in the effluent water.

**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% 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

**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.

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

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

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