



## Sustainability Report 2013

SCA PARTICIPATES WITH AN ALL-FEMALE TEAM IN THE VOLVO OCEAN RACE 2014-2015

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## About this report

SCA publishes a 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 66–67) 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 2013 calendar year, and covers the SCA Group, including wholly and majority owned subsidiaries. For further information regarding the sustainability report and its reporting principles, see page 64.

# Recognition



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



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



SCA is included in the Climate Disclosure Leadership Index.



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



SCA is on the Fortune Most Admired Companies list, ranked third in the Forestry and Paper class, and number one in this class for social responsibility.



SCA became a UN Global Compact member in 2008.



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

SCA was recognized by the WWF for leadership in transparency for disclosing its ecological footprint in the WWF Environmental Paper Company Index 2013.



SCA is included in the following sustainability funds of Vigeo: the Ethibel Sustainability Excellence Europe and the Ethibel Sustainability Excellence Global.



SCA is a constituent of ECPI indices.



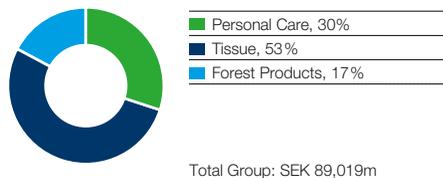
SCA is included in the OMX GES Sustainability Nordic and OMX GES Sustainability Sweden indexes.

SCA was voted Best Sustainability Report 2012 by the sustainability publication Miljörapporten and CSR experts.

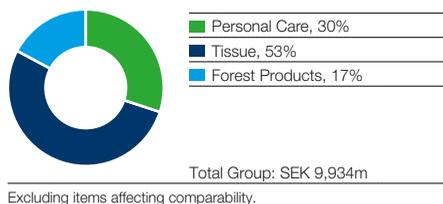
# SCA is a leading global hygiene and forest products company, providing sustainable personal care, tissue and forest products.

## BUSINESS AREAS

### Share of net sales (share of Group)



### Share of operating profit (share of Group)



## Personal Care

The business area comprises three product segments: incontinence products, baby diapers and feminine care. Production is conducted at 30 facilities in 25 countries.

## SALES BY GEOGRAPHIC REGION AND DEMOGRAPHIC TREND

Europe (including Africa)	2013	2012	Employee age distribution
Net sales, SEKm	65,989	62,538	% 40
Average no. of employees	22,693	22,149	30
Women, %	24	25	20
Salaries <sup>2)</sup> , SEKm	10,243	9,303	10
Social security costs, SEKm	2,849	2,705	0

Asia <sup>2)</sup>	2013	2012	Employee age distribution
Net sales, SEKm	5,255	5,000	% 40
Average no. of employees	2,745	2,531	30
Women, %	60	60	20
Salaries <sup>2)</sup> , SEKm	386	359	10
Social security costs, SEKm	65	46	0

Americas	2013	2012	Employee age distribution
Net sales, SEKm	17,775	17,870	% 40
Average no. of employees	8,566	8,446	30
Women, %	29	30	20
Salaries <sup>2)</sup> , SEKm	2,354	2,312	10
Social security costs, SEKm	683	696	0

SCA Group total	2013	2012	Employee age distribution
Net sales, SEKm	89,019	85,408	% 40
Average no. of employees	34,004	33,775	30
Women, %	28	29	20
Salaries <sup>2)</sup> , SEKm	12,982	12,241	10
Social security costs, SEKm	3,598	3,446	0

<sup>1)</sup> And other personnel costs.

<sup>2)</sup> Excluding joint venture in Australia and New Zealand.

▶ 34,000 employees ▶ Annual sales of SEK 89bn ▶ SCA has sales in about 100 countries

▶ Many strong brands



products company that develops and produces  
t products.



### Tissue

The business area comprises two product segments: consumer tissue and Away-from-Home (AfH) tissue. Production is conducted at 54 facilities in 19 countries.



### Forest Products

The business area comprises five product segments: publication papers, kraftliner (packaging papers), pulp, solid-wood products and renewable energy. Production is conducted at 18 facilities. Products are mainly sold in Europe, but also in Asia, North Africa and North America.



### A symbolic journey with the brand in focus

SCA has decided to enter a team in the 2014–2015 edition of the Volvo Ocean Race. Participation in the event aims to increase awareness of the SCA brand and strengthen the link to the Group's customer and consumer brands.

The Volvo Ocean Race is the most demanding sailing competition in the world, while it also provides a unique global marketing platform. Just like in business, qualities such as interpersonal skills, leadership and the ability to define a successful strategy are decisive factors for the outcome. One of SCA's sustainability ambitions is to support women's empowerment and their freedom to participate fully in society, which is one of the reasons why we have chosen to participate with an all-female crew. The Volvo Ocean Race is a symbol for the journey of change that SCA is undergoing – culturally, organizationally and commercially.

00 countries





# Highlights 2013

- Acquisition of 51.4% of the Chinese tissue company Vinda, making China SCA's most important emerging market.
- SCA established operations in India and decided to invest in a facility for the production of hygiene products.
- The Group's Code of Conduct was updated to better reflect the current demands and expectations placed on a global company.
- The first wind farm in the collaboration between SCA and Statkraft was inaugurated.
- A new biofuel-fired lime kiln at the kraftliner mill in Munksund will reduce the carbon footprint by 75% and costs by SEK 50m annually. The facility will be commissioned in 2014.
- The prioritized health and safety program resulted in a 13% reduction in the accident frequency rate.

# Making progress toward our targets

Summing up the past year, we can see that we have made good progress on the path toward achieving our ambitious sustainability targets launched in 2012. SCA's environmental, social and financial targets all help to drive our business forward and create value for our stakeholders.



## **Shared value is a multiplied value**

A company's success and competitiveness depends on and is closely intertwined with the community in which it operates. By considering the needs and challenges of the community, financial success is generated in a manner that also creates value for the community. In a similar manner, a lack of environmental and social responsibility gives rise to higher costs, such as wastefulness of resources, expensive accidents and increased costs due to an expertise deficit among employees. These were the conclusions drawn by the US researchers Porter and Kramer a few years ago when they launched their ground-breaking theory in relation to value generation as a redefined view of free enterprise.

This reasoning is well known to us at SCA, since our business operations have been closely linked with the community since our foundation in 1929. Back in the 1950s, SCA had already far-reaching community programs for its employees and the company was among the pioneers in terms of working systematically with environmental issues.

We need to be unwavering in all three areas – financial, environmental and social responsibility – to be an attractive alternative for our customers and other stakeholders. It is not enough to deliver good financial results if we choose to disregard the environment and working conditions. And we must offer financial strength. SCA's stable financial position combined with its leading-edge expertise in sustainability and innovation are some of the reasons why many customers choose to work with us.

## **Favorable results**

In 2012, we launched a number of new sustainability targets and we are pleased to see good progress. A safe workplace is assigned highest priority, and I am very pleased that we successfully reduced the accident frequency rate by 13% compared with 2012. Aside from technical solutions, safety efforts are about changing the mindset and behavior of employees, helping

them to understand what constitutes safe practices. It is pointless having a safe car if you drive recklessly.

#### **New innovations**

Customer and consumer-driven innovation is essential to create growth, competitiveness and profitability. We are working to make the innovation process faster and more precise and we launched a range of new innovations in 2013. One example is TENA Identifi, a product that makes it possible to analyze and customize incontinence solutions for nursing homes at an individual level (see page 28).

Innovation and sustainability are tightly inter-linked insofar as they function as each other's drivers. As a rule, new technologies give rise to more sustainable products at the same time as demands from customers and consumers impose requirements on innovation. To reverse the negative link between growth and environmental impact, breakthrough innovations will be required on many fronts.

#### **Hygiene solutions in new markets**

One of our sustainability targets is to make our knowledge about hygiene available and ensure access to affordable, sustainable hygiene solutions. We invest a considerable amount of resources in hygiene education and our activities include teaching young women about menstruation and puberty, children about the importance of good hand hygiene and nurses about incontinence.

During the year, we made an offer for China's third largest tissue company, Vinda; a company in which we were already a shareholder. We achieved a majority shareholding in the company, making China SCA's most important emerging market. China is facing an enormous challenge with an ageing population and an undeveloped system for elderly care. This offers major growth potential for SCA and we want to assist in efforts to develop sustainable solutions. For example, we are participating as the only multinational company in a committee together with Chinese companies and authorities charged with developing a proposal for how the elderly care system in China should be structured.

During the year, we established operations in India; a market with a growing middle class and low consumption of hygiene products. Also here, SCA can contribute its know-how and sustainable solutions. In conjunction with the intro-

duction of Libero baby diapers, we launched a training initiative for doctors and midwives at some 25 hospitals and 500 baby health clinics and through these, will reach out and provide information to 780,000 mothers and children about breastfeeding and the importance of hygiene.

#### **Maintaining control of the business saves money**

It is becoming increasingly important for companies to maintain control of their operations and we have a range of tools to check compliance with our Code of Conduct. We carry out social audits and examine business practices at our business units, and encourage suppliers to submit reports to the ethical database Sedex. Last year, we performed some 60 CSR audits of suppliers and we launched an anti-corruption training program. These activities also save money by reducing the risk of corruption and health and safety breaches.

#### **The forest is a unique resource**

The forest represents a unique resource and we are working to promote active, sustainable forestry. Responsible forest management and replanting of trees may even be one of the solutions to climate change. SCA is a member of the World Business Council for Sustainable Development, which presented its Action 2020 plan at the end of 2013. The plan aims to develop solutions that will enable the world's population to live well within the earth's resources and capacity. SCA participated in an initiative to develop solutions, or "Big ideas," highlighting the forest's ability to absorb carbon dioxide and the positive impact of the use of products from sustainably managed forests. SCA's forests display a net growth rate and our growing forests absorb 2.6 million tons of carbon dioxide annually, which exceeds the emissions from SCA's use of fossil fuels in production. If half of the world's forests were managed in the same way, they would absorb all carbon emissions globally.

The forest also offers us access to high-quality forest raw material and enables energy production from wind and biofuels. From a community perspective, the forest also contributes biological diversity while also providing a source for nature experiences and recreation. During the year, we inaugurated the first wind farm as part of the collaboration between SCA and the energy company Statkraft.

#### **Right culture breeds success**

As of 2008, SCA is a signatory to the UN Global Compact. In doing so, we pledged to support human rights and promote social responsibility in accordance with the principles of the Global Compact, the International Bill of Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises. These documents form the foundation for SCA's Code of Conduct.

Compared with only a few years ago, companies now encounter different expectations and requirements in such areas as business ethics, respect for human rights and supplier controls. This is why we decided to update our Code of Conduct during 2013, and we will use 2014 to train all of our employees in the updated Code.

The Code of Conduct is one of the cornerstones of our corporate culture, and having the right culture is entirely decisive for how successful we are in delivering on these expectations. In recent years, we have worked intensively on leadership issues and leadership development.

The fact that we have a strong corporate culture and loyal employees was confirmed in our Group-wide employee survey carried out in 2013. Despite the major changes that the company has undergone, employee satisfaction remained at the same high level recorded in the previous survey, which was carried out in 2011.

#### **A symbolic journey**

Our participation with a female crew "Team SCA" in the 2014–2015 Volvo Ocean Race forms part of our work to increase awareness of the SCA brand and our customer and consumer brands. The Volvo Ocean Race is a unique marketing platform. Our participation and the participation of our crew has already garnered attention and excitement throughout the world. The Volvo Ocean Race serves as a symbol of the journey of change being undertaken by SCA – culturally, organizationally and commercially – and I look forward to our two global races with excitement.

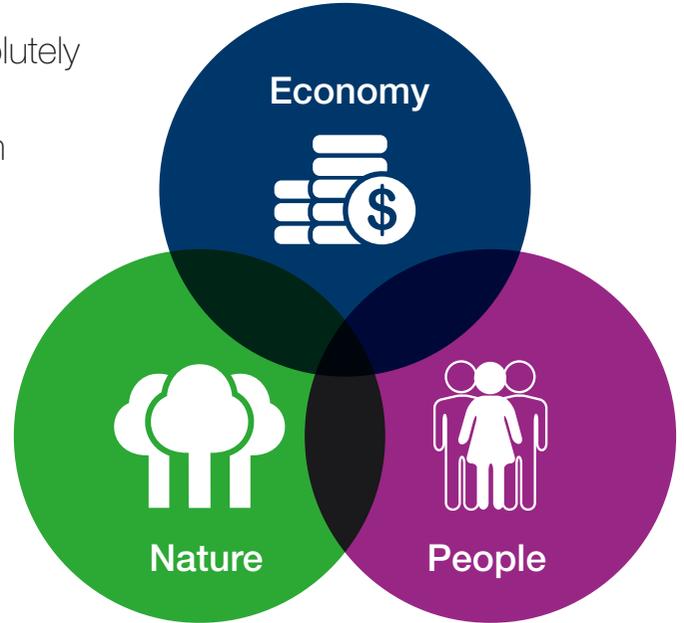


Jan Johansson, President and CEO

# 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 view 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 that we constantly challenge ourselves to deliver solutions that make a difference to everyday life. And we have found that you can achieve a lot when living our values of respect, excellence and responsibility.



## 1 Drivers

Population growth, higher standards of living, shortages of resources and climate change are the global macro trends that are altering the conditions for SCA's business operations. By analyzing the external environment and trends, we capitalize on these drivers to create long-term sustainable growth.

page 6



## 2 Dialog with stakeholders

Millions of people across the globe have an impact on and an interest in our business. SCA believes that an active and constructive dialog with our stakeholders improves the way we formulate and implement our business strategy and helps us understand the needs and expectations that exist in the communities in which we operate.



page 8



# 3 Our choice of direction

Our materiality analysis highlights the issues that are significant to SCA and our stakeholders. It forms the basis for SCA's strategy and sustainability program. For the 2013 analysis, we changed the methods applied to broaden the scope of the analysis.

page 10



# 4 Strategy

SCA's sustainability strategy is an integral part of our business strategy, based on economic, environmental and social value creation. Our ambitions for people and nature describe what we want to achieve in the long term.

page 12

# 5 Targets and results

Ambitious and clear sustainability targets serve as an excellent means to drive and guide operations. Measureable targets also make it easier for those outside the company to understand how sustainability contributes to the business. We made major progress toward achieving these targets in 2013.

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# A changing world

Global macro trends, from population increases and higher standards of living to resource shortages and climate change, rapidly alter the conditions for SCA's business operations. By analyzing the external environment and trends, and maintaining close customer and consumer dialogs, SCA can leverage these drivers, thus enabling the creation of long-term sustainable growth.



## ■ GROWING AND AGING POPULATION

The world's population is growing and aging. The current global population is seven billion and the UN predicts that this figure will grow to nine billion by 2050. The average life expectancy is increasing and the world's elderly population is expected to grow more than any other section of the population. This growing population is resulting in an increased demand for hygiene products and thus creating favorable growth opportunities for SCA. The greatest population increase is expected to occur in Asia, Latin America and Africa, which means that having a presence in these markets and offering adapted products will be strategically important. An aging population will put more pressure on the elderly care system and an increasing number of elderly people will require home care. We are also becoming healthier and continuing to lead active lives at an older age. These factors are contributing to increased demand for customer and consumer-adapted incontinence solutions in both mature and emerging markets.



## ■ HEALTH AND HYGIENE

Poor or no access to hygiene and sanitation is one of the greatest global challenges to be resolved. Good hygiene and knowledge about hygiene and hygiene products improve people's health and quality of life. SCA continuously develops new hygiene solutions and educates young women about menstruation and puberty, as well as teaching children about the importance of good hand hygiene. For many women in developing countries, access to sanitary pads could mean the difference between going to school and work or being forced to stay home, while incontinence products enable elderly people to live a more active life.



## ■ HIGHER STANDARD OF LIVING

At the same time as the world's population is growing, the level of poverty in the world is decreasing. An increasing number of people now earn more than USD 2 per day (the UN's definition of poverty) or have moved into the middle class. Once people's most basic needs for food and shelter are met, health and hygiene become top priorities. This creates favorable growth opportunities, and SCA is working to develop business models for consumers with limited resources.

## ■ A CHANGING WORLD

Globalization, urbanization, shifts in the balance of power, political decisions, the global economy, legislation and cultural dynamics all impact the world in which SCA operates. By trying to anticipate and assess structural changes in our external environment, we prepare for the future and ensure that we will be able to capitalize on the benefits and tackle the challenges that arise as a result of these changes.

Political decisions impact SCA. For example, decisions regarding healthcare and reimbursement systems affect the conditions for SCA's sales of incontinence products. SCA works to educate and provide information about reimbursement systems in the countries in which its incontinence products are sold.

Economic power relationships are changing, and emerging markets such as China, India and Brazil are gaining an increasingly important influence.



### ■ CHANGING CUSTOMER/ CONSUMER BEHAVIOR

Trends, technological developments and prevailing values cause customer and consumer behavior to change over time. Accordingly, the ability to anticipate and exceed customer and consumer expectations is becoming increasingly important.

- **Sustainable consumption:** Limited resources, political prioritizations and knowledgeable, aware customers and consumers are boosting demand for sustainable products and services.
- **New technology:** Many purchases are now made online, which is changing the rules of the game, for example, when it comes to marketing and distribution.
- **The company behind the brand:** More than ever before, customers and consumers are paying attention to the companies behind the products and services they buy and imposing greater demands on these companies in terms of corporate responsibility.
- **Innovation:** Highly innovative products, services and business models are required to respond to these changing behaviors.



### ■ CLIMATE CHANGES

Climate change is one of the most critical environmental and social issues facing the world today. Authorities are setting targets to reduce CO<sub>2</sub> emissions, and the private sector is expected to play its part. SCA combats climate change by investing in new technology, efficiency enhancements, and biofuel and wind power initiatives. Our forests have an annual net growth of 1%. This means that our forests absorb 2.6 million net tons of CO<sub>2</sub> annually, which exceeds the 1.8 million tons of emissions generated through the total use of fossil fuels in SCA's production operations.

### ■ SCARCE RESOURCES

As a result of the growing global economy and world population, an increasing number of people are now sharing the planet's natural resources.

- **Energy:** Access to energy has become a strategic issue in many countries. The International Energy Agency (IEA) predicts that the need for energy will increase by 40% by 2035, which will probably entail higher costs and, in some cases, an energy shortage. As a major energy consumer, this is an important issue for SCA and we continuously work to enhance energy efficiency. New technology is not only resource-efficient, but usually also generates fewer emissions and less waste.
- **Water:** The UN predicts that two-thirds of the world's population may live in areas with water shortages by 2025. Access to water is critical for people, industry and agriculture. SCA's production operations are dependent on access to water and we are working to achieve our ambitious goals for efficient water usage.
- **Forest management:** Illegal felling and felling of forests with a high conservation value

contributes to global deforestation and constitutes a threat to biodiversity. SCA has a Group target for checking the origin of all wood raw materials. Forests are a key component in our value chain and provide us with access to forest raw materials.

- **Human capital:** The economic progress of the world's emerging markets and increasingly knowledge-extensive business in mature markets are resulting in an increased need for skilled labor and management. At SCA, we invest in the development and training of our employees and take a strategic approach to meeting our future requirements for competent leaders.



# Responding to and cooperating with stakeholders

Every day, SCA engages in dialog with thousands of stakeholders at various levels around the world. We view the stakeholder dialog as a way of calibrating and quality assuring the business in the market. It provides a basis for strategy discussions and helps us understand the needs and expectations of the stakeholders.

As a leading global hygiene and forest products company, SCA considers it to be important to engage in dialog with many different stakeholders about shared global challenges. This includes employees, customers and consumers, governments and supervisory authorities, NGOs, trade organizations and other networks and alliances. SCA actively works on a number of issues and strives for openness and transparency in all such dialogs.

## Customers

SCA has a broad product portfolio and many different kinds of customers, both end-consumers and customers such as the retail trade, companies, distributors, printing houses, and health and medical care services. With such a mixed customer base, communication is managed by the business units, with the help of SCA Corporate. The Group strives to meet and exceed the customers' expectations and learn more about the areas that are important to them. All business units conduct and follow up customer satisfaction surveys to find out how customers perceive SCA. Read more on page 22.

## Consumers

In-depth consumer insights reveal areas of improvement. SCA conducts consumer surveys, market surveys and home visits at consumers to obtain more knowledge on how they live and what their interests are. Valuable insights are

also gained through SCA's many phone lines for consumer contact and through customer service's handling of queries and complaints. Read more on page 22.

## Other stakeholders

To reach out to other important stakeholder groups, both internally and externally, SCA engages in a continuous dialog with stakeholder organizations, regularly meets investors and analysts (see page 21) and conducts employee surveys and performance management reviews (see page 55). In 2013, SCA engaged in dialog with UNICEF on Children's Rights and Business Principles and how they can be applied to sustainable business. Moreover, the company conducts discussions with other groups and private individuals regarding questions that have a major impact on society in general and local communities, such as Sami communities that use part of SCA's forest land in northern Sweden for reindeer herding. Another example is in Hon-douville, France, where SCA meets neighbors, NGOs and journalists every year for a constructive dialog on the business and how it affects the surroundings.

## Involvement in hygiene issues

An important part of SCA's involvement in the social debate concerns issues of hygiene and health, primarily elderly care with its connection to SCA's incontinence aids.

Since state authorities are significant customers and stakeholders in SCA, the global debate on public health and medical care is very important. Particularly as individually focused care, care in the home and other health and medical care models that contribute to quality of life and improved health finances continue to be developed.

SCA actively works to build partnerships with decision makers in countries where new health-care systems are under construction. SCA is the only foreign multinational company to participate in a committee of Chinese companies and authorities that was formed during the year. The task of the committee is to provide proposals on the structure of future elderly care. SCA also participated in a Swedish healthcare delegation to China led by Göran Hägglund, the Minister for Health and Social Affairs, in April. SCA conducts a continuous dialog with the health departments in India and, in March, President and CEO Jan Johansson participated in a round-table discussion with Turkey's President Abdullah Gül and several ministers when a Turkish delegation visited Sweden. In addition, SCA participated in delegation trips to South Korea in September and Brazil in November, and in Prime Minister Fredrik Reinfeldt's state visit to Mexico in September, where health and medical care issues were on the agenda.

SCA takes responsibility for and prioritizes the care of people with incontinence. The com-

## Cooperation between reindeer husbandry and forestry

SCA conducts a regular dialog with the 36 Sami communities that have the right to herd reindeer on SCA land. This is done in consultation with the local reindeer-herding communities in relation to such issues as harvesting, land preparation, choice of tree species, the extent of forest roads and forest fertilization.

To increase reindeer herders' and forest managers' knowledge of each other's industries and thereby increase mutual understanding, SCA took responsibility for implementing a skills development program on behalf of the Swedish Government, the Sami Parliament and the Swedish Forest Agency. The program includes an online course and field training and will be carried out in five locations in 2014.



Mattias Andersson, Gällivare forest Sami community, Lars Jonsson, SCA's Chief Forester of Norrbotten's forest district and Kjell Aira of the Jäkkhågaska Sami village.

pany is involved in increasing awareness of incontinence as a disease and contributing to better conditions for people who suffer from the condition within the scope of the health and medical care systems in various countries. A very important way of achieving this is through the Global Forum on Incontinence, GFI ([www.gfi.com](http://www.gfi.com)). GFI is a global platform for training and debate on incontinence for stakeholders in the area, such as medical experts, politicians and financiers. The fifth GFI conference will take place in Madrid in April 2014, with SCA as the primary arranger.

#### Promoting sustainable forestry

As Europe's largest private forest owner, SCA plays an important role in involving stakeholders in a range of issues, such as illegal logging, for-

est certification and environmental policy and legislation.

SCA encourages sustainable forest management and supports both international certification schemes for forests and wood raw materials, FSC® and PEFC™. The Group actively promotes forest certification and zero deforestation by joining with other major international companies in organizations such as the World Business Council for Sustainable Development and the Consumer Goods Forum. SCA acts to influence companies and government agencies, through these and other initiatives, with the aim of achieving zero net deforestation by 2020.

SCA participates in the WWF Environmental Paper Company Index and SCA Forest Products participates in the WWF Global Forest & Trade Network (GFTN) for responsible trade.

In 2013, along with three other companies, SCA was invited to participate in the United Nations Forum on Forests (UNFF) in Istanbul to discuss sustainable forest management.

Every year, SCA also engages in dialog with environmental organizations that share the Group's commitment to sustainable forest management and other environmental issues.

#### Other environmental issues

Climate change is high on the agenda of SCA's stakeholders and the company carefully monitors developments in the area. SCA participated in the creation of the Confederation for European Paper Industries' (CEPI) 2050 Roadmap that aims to reduce emissions of greenhouse gases by developing new technology and increasing the use of biofuel.

Stakeholder group	Main areas	How we work with the issues/Activities 2013 (page reference)
<b>Customers</b>	Carbon footprint Ecolabelling Working conditions Fiber sourcing Human rights compliance Customer insight Innovation	Life Cycle Assessments (24) CO <sub>2</sub> targets (32) Sourcing targets (36) FSC® certification (36, 38) Revisions of the Code of Conduct and business ethics (45, 46) Implementation of supplier standards (48) Customer surveys (22) Sustainable innovations (24) Hygiene solutions (28)
<b>Consumers</b>	Impact of products on nature, for example, carbon footprint, ecolabelling Product safety Consumer insight Innovation	Life Cycle Assessments (24) 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> ) Chemicals handling (24) Consumer surveys and focus groups (22) Sustainable innovations (24) Hygiene solutions (28)
<b>Employees</b>	Recruitment and succession planning Training Compensation and benefits Business ethics Health and safety Working conditions	Code of Conduct training (45) OHS AS 18001 certification (50) Global All-Employee Survey (55) Diversity survey (54) Global Performance Management System (55) Management system (50)
<b>Investors</b>	ESG (Environment, Social, Governance) integration into business strategy Resource efficiency Risk management	Investor/analyst meetings (21) Conference participation (21) Site visits (21) Inclusion in sustainability indexes and funds (21) ESAVE (32) Risk analysis (AR 60)
<b>Suppliers</b>	Supplier audits Raw material sourcing	Sourcing targets (36) Supplier standards (48) Sedex reporting (44, 48) CSR audits of suppliers (48)
<b>Stakeholder organizations</b>	Forest management CO <sub>2</sub> emissions Energy utilization Water consumption	Continuous dialogs, such as consultation with reindeer herders (8) Membership in industry initiatives and organizations such as WBCSD, Consumer Goods Forum, FSC, etc. ( <a href="http://www.sca.com">www.sca.com</a> )
<b>Society</b>	Environmental issues Local issues Community involvement	Public Affairs (8, 9) Ongoing dialog with authorities and local communities (8) Hundreds of community involvement initiatives (56)

# SCA's choice of direction and priorities – a materiality analysis

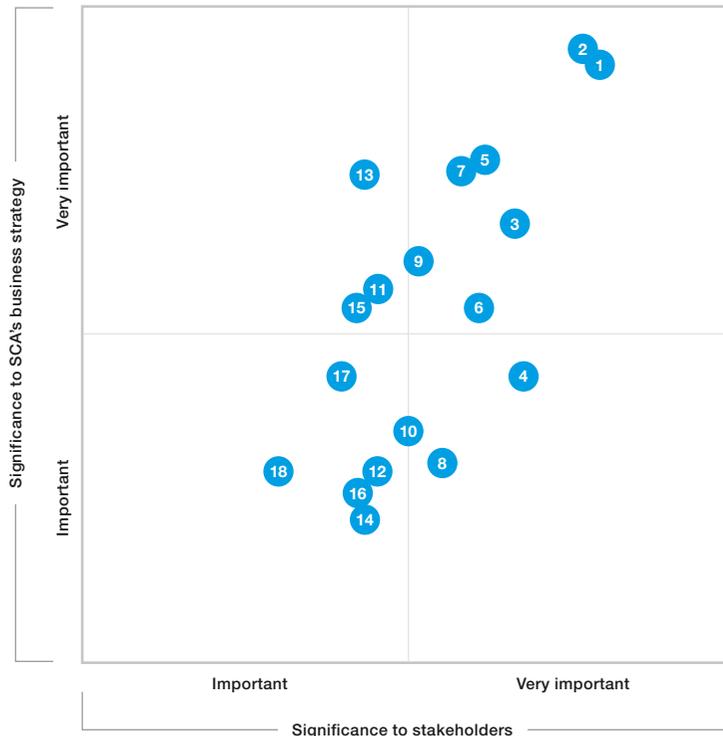
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The materiality analysis provides an insight into the issues that are significant to the company and forms the basis of SCA's strategy and operations. The 2013 analysis is based on a survey of 1,500 internal and external stakeholders in combination with SCA's own assessment of the strategic importance of the areas. SCA's priorities match the stakeholders' assessment well and only differ in a few areas.

**Innovation** is ranked number one by the stakeholders and number two by SCA, which confirms the relevance of the choice of innovation as one of SCA's strategic priorities. Sustainability is an integrated part of product development and during the year, the Group launched some 30 new innovations.



Topic
1 Innovation
2 Customer and consumer satisfaction
3 Business ethics
4 Product safety
5 Brands
6 Resource efficiency
7 Health and safety
8 Forest assets
9 Market positions
10 Human rights
11 Corporate governance
12 CO <sub>2</sub> emissions
13 Human capital
14 Consumer waste
15 Efficiency in the supply chain
16 Water use and water purification
17 Distribution
18 Financial risks



The materiality analysis is a tool used to understand the issues that are most important and relevant to SCA. The horizontal axis shows the degree of importance stakeholders attach to the various subject matters, while the vertical axis represents SCA's assessment of how important the areas are to its business strategy and operations. In most cases, the assessments of stakeholders and SCA coincide.



2

**Customer and consumer satisfaction** is assessed as the most important area by SCA and as the second most important by the stakeholders. SCA conducts regular customer and consumer surveys and feeds back opinions and complaints to the business as a basis for improvements. As a result of the considerable importance SCA and its stakeholders attach to the area, a new section has been added on customer and consumer insight and satisfaction on pages 22–23.



4

**Product safety** has a high priority, particularly since many of the company's products come into contact with people's skin. SCA has well-developed processes for guaranteeing the products' safety and do not use any chemicals classified as substances of very high concern by EU REACH chemical legislation. This may be a reason why SCA ranks this area lower than the stakeholders.



8

**Forest assets** are assigned greater importance by the stakeholders than by SCA. One explanation for this may be that the stakeholders see the forest from a global deforestation perspective while SCA refers to its own, sustainably managed forest assets in Sweden. The forest also accounts for a smaller share of SCA's sales.

13

**Human capital** is assigned less importance by the stakeholders than by SCA. It appears reasonable that SCA has greater insight into how crucial the employees' attitudes and expertise are to SCA's success. SCA's All-Employee Survey provides valuable knowledge about the employees' opinions and constitutes a tool in the improvement work.



In total, 1,500 customers, consumers, suppliers, investors, representatives for media and stakeholder organizations as well as SCA employees participated in the online survey.

SCA previously conducted materiality analyses in 2008, 2010 and 2012. While the previous analyses were focused on sustainability, the 2013 analysis had a broader approach. The stakeholders' opinions are of major importance to SCA as a whole, not only its sustainability activities, and the entire business should therefore be included. The results are also included on page 7 in the Annual Report.

The changed focus meant that the subject areas were broadened at the same time as

the number was reduced from 36 to 18. The subject areas included in the study were chosen in accordance with such governing documents as the Global Reporting Initiative, the UN Global Compact, SCA's Code of Conduct and SCA's own assessment. All selected areas are important to SCA.

In earlier surveys, the respondents ranked all of the subject areas' weight, while they were now able to choose which ten areas they considered to be the most important of the 18. The stakeholders' ranking of the areas was combined with SCA's own assessment of how important the areas are to the company's business strategy and were placed in the materiality analysis as coordinates. The stake-

holder group's results were weighted so that each of the groups' answers were assigned equal importance. SCA's own assessment is based on the appraisal of the Corporate Senior Management Team.

The new method means that the results are not directly comparable with previous materiality analyses. However, the stakeholders' and SCA's views are still a good match in terms of which areas are significant. The results of the survey appear to be reasonable and relevant and have given the Group a basis for its strategy and operations and for the content of the Annual Report and Sustainability Report.

# SCA's strategy

SCA is a leading global hygiene and forest products company. SCA's strategy is based on a sustainable business model where value creation for people and nature is put on a par with growth and profitability to ensure a successful company in both the short and long term.



## Growth

Increasing the hygiene business's share of the SCA Group has been a strategic step toward reducing the company's sensitivity to economic fluctuations and thereby ensuring a more long-term stable level of profitability and growth. While growth will mainly be organic, acquisitions will also be pursued. SCA aims to grow and strengthen its positions in both mature and emerging markets by, for example, broadening its offering of product categories, product ranges and services, as well as growing in new segments and channels. SCA's long-term goal is to be the leading company and strengthen its brand position in the markets that it serves.

### Outcome 2013

In 2013, SCA grew both organically and through acquisitions. SCA's sales growth in 2013, excluding exchange rate effects and divestments, amounted to 10%. Acquisitions increased sales by 7%. Excluding exchange rate effects, SCA's sales increase in emerging markets amounted to 11%. Emerging markets accounted for 23% of SCA's sales in 2013. The hygiene business's share of Group sales increased to 83%.

In 2013, SCA became the majority shareholder in Vinda, with ownership of 51.4%. SCA will consolidate Vinda as of the first quarter of 2014. Vinda is the third largest tissue company in China, which is the world's second largest tissue market.

During 2013, SCA established operations in India and decided to invest SEK 150m in the local production of hygiene products. The plan is to commence production at the Group's own plant in 2015. India's large population and limited use of hygiene products has created potential for future growth. In 2013, SCA launched its Libero baby diapers and Tempo consumer tissue in India.

Russia is one of SCA's most important emerging markets and SCA is investing in an increased tissue capacity in the country.



## Innovation

Innovation is a driver for growth and profitability. A higher pace of innovation, based on SCA's comprehensive customer and consumer insight, improves the Group's competitiveness and strengthens and differentiates its customer offering. Through new and improved customer offerings, SCA strengthens its brands and creates additional customer and consumer value. Sustainability aspects and product safety are important for customers and consumers and thus also in the development of new products and services. SCA's strategy is to increase the pace of innovation, capitalize on global economies of scale and ensure that all segments have a competitive and balanced portfolio of innovations. Particular focus is given to exploring the possibilities of broadening the product portfolio, as well as expanding the range of services.

### Outcome 2013

SCA launched some 30 innovations during 2013.

One such innovation was TENA U-test. The test can be inserted into patients' incontinence products to simply check whether they have a urinary tract infection. SCA also launched TENA Identifi, a new technology that simplifies the work carried out by caregivers and improves the quality of life of those suffering from incontinence. Integrated electronic sensors in the incontinence product register information that can be used to provide the correct treatment and protection.

In response to the demand for intelligent hygiene solutions, which is being driven by an increased awareness about hygiene and the threat of pandemics, SCA launched Tork Intuition Sensor, a touch-free sensor-controlled foam soap dispenser. During 2013, SCA also introduced a portable Tork dispenser for wiping paper that can be used in restaurant kitchens, as well as Tempo Cotton Touch, a new handkerchief containing cotton to provide a stronger and softer product.



## Efficiency

Enhanced capital efficiency, lower costs and strengthened cash flow are achieved through efficiency enhancement and savings measures, as well as the optimization of capital employed in all parts of the Group. Establishing more efficient production and processes strengthens the Group's competitiveness and enables SCA to improve its customer service and customer satisfaction. In most cases, this also results in positive environmental effects. Global functions in the hygiene operations relating to such areas as innovation and brand activities, as well as production, sourcing and logistics, generate cost synergies and enable efficient resource allocation. For the sake of efficiency, SCA chooses to work with partners in certain areas of the world.

### Outcome 2013

SCA is conducting three efficiency programs, which were launched in 2012.

The cost and efficiency program under way in the hygiene operations progressed according to plan and will generate annual cost savings of EUR 300m with full effect in 2015. The bulk of the savings relates to production and sourcing. In 2013, SCA achieved cost savings of SEK 1,050m.

In conjunction with the acquisition of Georgia-Pacific's European tissue operations, synergies were identified that will lead to annual cost savings of EUR 125m with full effect in 2016. The Group's efforts to realize cost synergies progressed as planned in 2013. The savings achieved pertained to production, sourcing, logistics, sales and administration. Cost savings of SEK 385m were achieved in 2013.

Forest Products' efficiency program progressed as planned and will result in an annual earnings improvement of approximately SEK 1.3bn with full effect in 2015. The program includes a structured plan to reduce fixed and variable costs, achieve improved income through increased production and efficiency enhancement, and implement a changed product and market mix. In 2013, the program generated an earnings improvement of SEK 550m.

# High ambitions

SCA's strategy is based on financial, environmental and social value creation, with all three elements equally important to the company in efforts to achieve business success. As a natural consequence of this approach, we have established economic, people and nature targets for the Group (read more about the targets on the following page). SCA's strategy serves as the roadmap to achieve these targets and is based on three strategic

priorities: Growth, Innovation and Efficiency. A number of sustainability ambitions have been developed alongside our targets. These describe our long-term ambitions, whereas the targets are time-specific and measurable. The targets represent steps on the path toward achieving the ambitions, at the same time as they drive developments forward.

## 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.

## 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 minimize our impact on the environment** through a combination of new innovations and technologies, efficiency gains, consumer initiatives and carbon sequestering in our forests.

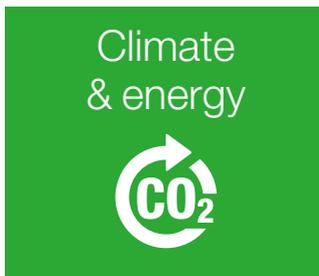
**We care for the forests with all of their biodiversity** and we are committed to managing and utilizing them responsibly. We aim to maximize the benefits our forest have on our ecosystem, climate, customers and society, through a combination of innovation, efficiency gains and wise and long-term management.

# Target outcome

**Status:**

- = Not according to schedule
- = Not according to schedule, actions identified
- = According to schedule

<h2>Sustainable innovations</h2> 	<h2>Hygiene solutions</h2> 	<h2>Code of Conduct</h2> 	<h2>Employee Health &amp; Safety</h2> 
<p><b>TARGET</b></p> <p>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>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 programs 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>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>We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.</p>	<p><b>TARGET</b></p> <p>Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011–2016.</p> <p>OHSAS 18001 will be implemented at all main sites by 2016.</p>
<p><b>OUTCOME 2013</b></p> <p>Several sustainable innovations were launched, such as TENA Identifi, TENA U-test, Tork Intuition Sensor and a portable Tork dispenser.</p> <p>Status: <span style="color: yellow;">●</span></p>	<p><b>OUTCOME 2013</b></p> <p>SCA holds the number one or two position in at least one hygiene product segment in about 90 countries.</p> <p>Hygiene training programs were conducted in all product segments on all continents.</p> <p>We offer a broad portfolio of products ranging from the premium segment to the economy segment.</p> <p>Status: <span style="color: green;">●</span></p>	<p><b>OUTCOME 2013</b></p> <p>A total of 75% (73) of SCA's global hygiene supplier base and 60% (40) of our forest product's supplier base had undertaken to adhere to the SCA Global Supplier Standard.</p> <p>Status: <span style="color: green;">●</span></p> <p>91% (87) of employees have received Code of Conduct training.</p> <p>Status: <span style="color: green;">●</span></p>	<p><b>OUTCOME 2013</b></p> <p>The accident frequency rate was 8.4 (9.7) per 1,000,000 working hours, representing a 9% decline compared with the reference year of 2011.</p> <p>Status: <span style="color: green;">●</span></p> <p>By the end of 2013, 45% (30) of SCA's 67 main sites were certified according to OHSAS 18001.</p> <p>Status: <span style="color: green;">●</span></p>
<p style="text-align: center;"><b>page 24–27</b></p>	<p style="text-align: center;"><b>page 28–29 and 56–57</b></p>	<p style="text-align: center;"><b>page 44–46</b></p>	<p style="text-align: center;"><b>page 52–55</b></p>



## Climate & energy



### TARGET

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.

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

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

### OUTCOME 2013

At year-end 2013, CO<sub>2</sub> emissions in relation to the production level had declined by 11.8%, compared with the reference year of 2005.

Status: ●

In 2013, energy production from SCA's forest-based biofuels was 909 GWh (870 GWh in 2010).

Status: ●

Wind energy from SCA forest land totaled 0.75 TWh (0.4).

Status: ●

page 32–35



## Fiber sourcing & biodiversity



### TARGET

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

We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land 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.

### OUTCOME 2013

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.

Status: ●

7% of SCA's productive forest land has been set aside in the long term from forestry in ecological landscape plans. In 2013, 15% of the area in planned harvesting sites was set aside for preservation.

Status: ●

page 36–38



## Water



### TARGET

We aim to achieve water sustainability and we will reduce our water usage 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 2013

By year-end 2013, water usage in water-stressed regions in relation to the production level had declined by 10.4%, compared with the reference year of 2010.

Status: ●

Of the Group's 44 pulp and paper mills, mechanical and biological effluent treatment systems have been installed at 42 plants.

Status: ●

page 40



## Financial targets



### TARGET

The target for return on capital employed is 13% over a business cycle.

The target for the debt/equity ratio is 0.70 and the debt payment capacity is to exceed 35% over a business cycle.

### OUTCOME 2013

The overall return on capital employed was 11%.

At year-end, the debt/equity ratio amounted to 0.51 and the debt payment capacity to 37%.

page 8  
in the Annual Report

\* 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.

# SCA's value chain

SCA utilizes a value-chain perspective to identify and address the most relevant environmental, social and economic issues. This approach provides an overview of SCA's impact, where it arises and is at its greatest and

how the various areas affect each other. In this way, we better understand the implications of the Group's impacts and the importance of engaging in dialog with stakeholders to better address relevant issues. This helps us establish



## Sustainable forestry

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land. Nearly 7% of this area has been reserved in ecological landscape plans to preserve the biological diversity of the Group's forests, and at least a further 5% is set aside in conjunction with harvesting. The forests have a net growth of 1% per year, corresponding to carbon sequestration of 2.6 million tons annually. This is higher than the carbon emissions generated by SCA's combined operations. About 50% of the wood raw material used by SCA is derived from the Group's own forests and is thus under the direct control of the company. SCA works along the entire supply chain to guarantee 100% responsible raw material sourcing. Read more on pages 36 and 48.

## Climate change and carbon emissions

The Group's use of fossil fuels together with emissions from purchased electricity are the major sources of its CO<sub>2</sub> emissions, followed by transport activities. Most of SCA's emissions from its fossil fuel usage derive from its tissue production while a smaller proportion (below 10%) is derived from production of publication papers, pulp and sawn timber. SCA's personal care plants account for less than 5% of the company's carbon footprint. The majority of the climate impact in the production of tissue and forest products is generated in SCA's own production processes, while for personal care products, this occurs mainly in the raw material phase, meaning at suppliers. SCA works continuously to reduce emissions in its own manufacturing and in cooperation with raw material suppliers, to minimize its climate impact. Read more on page 32.

## Water management

SCA uses water to transport fiber during the paper production process and as cooling water, with the breakdown between the two being 60–40. SCA's goal is to reduce water use in facilities located in regions that suffer from water shortages. Read more on page 40.

priorities so that we minimize our environmental impact and maximize the positive value for shareholders.

The value chains for Personal Care, Tissue and Forest Products vary in a number of respects, requiring the

company to focus on different issues within the various business areas. The issues deemed to be of particular significance to the value chain are described here.



**Respect for human rights and business ethics**

Honesty and integrity in relationships with customers, suppliers, employees and organizations, in addition to respect for human rights, are fundamental parts of SCA's entire business. By assessing compliance with the Code of Conduct and business ethics, the Group monitors its own operations. Through the supplier standard and supplier audits, SCA unequivocally shows the demands and expectations it has in relation to its suppliers, thereby gaining the trust of its customers. It is essential to minimize the risks throughout the value chain. Read more on page 48.

**Health and safety**

The provision of a healthy and safe workplace has been assigned high priority at SCA and is in line with the expectations of customers and consumers. By having employees who feel safe and who are well trained in health and safety procedures, SCA enhances productivity and reduces the number of workplace accidents. Read more on page 50.

**Innovation and product management**

Innovation is one of SCA's strategic priorities and is relevant to all parts of the Group's value chain. Dialog with customers and consumers helps SCA to better understand user needs and to deliver more insightful innovations. Sustainability, product quality and product safety are factors of major significance for SCA's customers and consumers and are thus decisive drivers in SCA's innovation activities. Using the Group's life cycle perspective as the starting point, SCA strives to achieve resource efficiency and reduced environmental impact, as well as contributing to people's quality of life. Read more on page 24.

**Brand activities**

Through our strong brands, we engage with customers, consumers and distributors. Read more on page 13 in the Annual Report.

**Transport activities**

Transport activities account for approximately half of SCA's CO<sub>2</sub> emissions. More efficient and coordinated freight, more compact packaging and eco-driving are some of the methods used by SCA to reduce its environmental impact. Read more on page 32.

**Waste and recycling**

SCA has worked for some time now to reduce its production waste. About two-thirds of the waste is recycled either into new products as a raw material for other industries or is used to generate energy. As much as 70% of European newspapers are currently recycled. Diapers are an example of a product that is best recycled by being incinerated. SCA is participating in projects aimed at identifying new ways to reduce consumer waste. Read more on page 41.

# Financial strength and sustainability go hand in hand

With customer and consumer insight in mind, SCA offers innovative solutions and the Group's strong sustainability work combined with stable financial foundation makes it an attractive business partner. We share our hygiene knowledge since good hygiene contributes to improved quality of life and health and makes life a little easier to live.

SCA develops and manufactures personal care, tissue and forest products – some 34,000 employees help to improve the quality of life of millions of people worldwide. Through the Group's know-how, offering and way of conducting business, it generates value that benefits individuals and society at large as well as SCA and the company's shareholders.

Sustainability permeates everything we do – what we offer, how we develop and manufacture products and, not least, how we interact with the market. SCA's ability to decipher trends, understand needs and behaviors and convert this knowledge into innovative, sustainable solutions is decisive for our competitiveness. This is also necessary to work efficiently and resource effectively in all stages.

Our way of addressing sustainability creates healthy and long-term relationships and we want to contribute to the economic development of customers, employees, suppliers and society. By strengthening others, we strengthen SCA.

Read about our economic value creation:

Sustainable innovations 	pages <b>24-27</b>
Hygiene solutions 	pages <b>28-29</b>
Financial targets 	<b>page 8</b> in the Annual Report





“Modern asset management involves managing financial, environmental, social and governance (ESG) risks and opportunities. It is about providing long-term solid returns to our clients and the world we live in. We believe that acting responsibly is a prerequisite for a company to achieve favorable, long-term returns. Through our ownership practices, we strive to enhance companies’ environmental and social performance while improving the returns of our funds.

SCA demonstrates clear leadership in its management of key ESG risks and opportuni-

ties. The company has a solid governance structure in place including a strong commitment from management in addition to policies, targets and a structured organization.

SCA shows that sustainability is an integral part of its business in several ways. Global mega trends are changing the operating conditions for the company and it is positive that SCA has identified such trends as an ageing and growing population, climate change and sustainable consumption as drivers for business opportunities. As early as 2011, the company developed

sustainable innovation targets, which means that all of the company’s new innovations are evaluated in relation to a number of sustainability criteria, for example, the company strives to ensure that all new products have improved resource efficiency or provide enhanced quality of life for the user.”

**Yiva Hannestad**, Director of Responsible Investments & Governance, Nordea, Sweden

# Positive economic impact across society

A well-functioning company interacts with stakeholders and its business environment, and has a healthy economic impact across the value chain. SCA wants to contribute to economic development and create value for customers, consumer, employees, suppliers and society.

## Customer value decisive

SCA creates income streams by developing and producing functional and sustainable products that meet customers' needs. For both end-consumers and corporate customers, such as retailers, distributors, printing houses and healthcare institutions, it is important that SCA has reliable products, procedures and governance systems. This makes customers feel secure in their choice of supplier at the same time that SCA's strong sustainability work helps customers achieve their own sustainability targets. The Group's focus on innovation and streamlining supports continued high quality and competitiveness.

## Investing in people

Dedicated employees comprise one success factor for the company and SCA offers the employees the possibility to develop and remunerate at market rates. Remuneration comprises salary, pensions and other benefits.

SCA's remuneration policy is that employees will be rewarded at competitive rates. SCA follows local remuneration structures, assuming that these do not conflict with internationally established rules for minimum wages and reasonable compensation. In 2013, salaries totaled SEK 12,807m (12,241), and social security costs,

including pension costs, amounted to SEK 3,803m (3,446).

The Group's pension costs totaling SEK 1,140m (970) comprise costs for defined-benefit and defined-contribution pension plans. The defined-benefit plans are based on length of service and the employee's salary on the date of retirement and, in 2013, the net cost was SEK 562m (257). The cost of defined-contribution plans amounted to SEK 578m (713). More information is available in Note 6 and Note 26 in SCA's 2013 Annual Report.

SCA creates job opportunities in many countries through local production. When SCA acquires companies or enters into a joint venture in emerging markets, the company adopts an approach that involves great respect for the local management's in-depth knowledge of the market and prevailing conditions. Accordingly, as far as possible, the management is kept in place while SCA adds knowledge about innovation, brands, technology and economies of scale.

## Developing the value chain

SCA strives to promote long-term relationships characterized by transparency, high quality and financial stability. Through training and supporting suppliers, SCA contributes to development

in a number of areas, such as quality, safety, the environment and social responsibility.

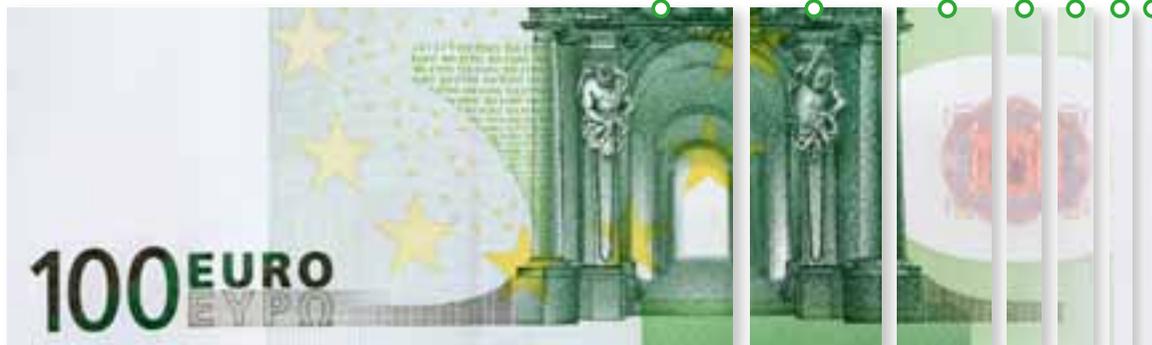
Central procurement of global commodities, such as pulp, electricity and chemicals, enables SCA to realize economies of scale. The procurement of other input goods such as wood is performed locally and, thereby, contributes to local suppliers and local industry. Nearly all of the fresh fiber purchased for the Swedish mills is sourced from local suppliers.

In 2013, the cost of raw materials and services purchased totaled SEK 56,404m (55,540), thus making sourcing SCA's single largest cost item, corresponding to 63% (65) of sales and a key investment in the value chain.

## Local presence and legitimacy

SCA creates job opportunities and contributes to tax revenue in the local economies where the Group operates. In 2013, income tax paid was SEK 1,634m (1,193) measured globally. In addition, SCA pays tax in the form of social security costs, property taxes, energy, VAT, etc. The company has a long-term and responsible approach, meaning that SCA also voluntarily makes commitments to promote and develop local communities by supporting initiatives with a focus on health, hygiene and education.

## Economic value created by stakeholder in 2013<sup>1)</sup>



<sup>1)</sup> Based on SCA net sales 2013.

<sup>2)</sup> Current expenditures, restructuring costs, strategic investments and acquisitions.

<sup>3)</sup> Raw materials, transport and distribution, energy and other cost of goods sold.

# Proactive sustainability initiatives strengthen shareholder value

Sustainability forms an integral part of SCA's business strategy and promotes the creation of economic value. An increasing number of investors are starting to look at the long-term effects of sustainability initiatives and, accordingly, their impact on the valuation of the company.

## Effective sustainability initiatives

Analysis of a company's environmental and social performance, just like its financial performance, has become increasingly common. There is greater understanding and conviction about the positive connection between the company's sustainability efforts and long-term profitability.

SCA's integrated sustainability initiatives strengthen the company's competitiveness and its offering and helps it win customers. The other perspective is risk and cost reduction. Sustainability efforts promote, for example, a more reliable supply chain, transparency at and control of contractors and resource efficiency in the production process, thereby generating cost and environmental savings. Many sustainability-related questions from investors are focused on minimizing risks and being able to provide documentation covering work methods and procedures in various areas.

## Part of the investor dialog

Since sustainability is integrated into the business, it is also part of the investor dialog, with emphasis on the business value of sustainability initiatives. On a number of occasions in 2013, SCA met investors with a particular focus on sustainability, for example, in conjunction with a major conference in Frankfurt for responsible investments and at visits to SCA's plants in Sundsvall.

Nearly 15% of the SCA shares are owned by investors with sustainability criteria, which is a high figure according to Vigeo, an ESG (Environment, Social, Governance) rating company that performed the study. This figure includes both investors with a best-in-class approach and

investors who conduct some form of sustainability screening. Primarily, it is major institutions and long-term investors such as pension funds that choose to invest in companies with the best environmental, social and financial performance. SCA's share was included in 126 sustainability funds in 2013. Of these, 51 had invested more than 1% of their assets in SCA shares.

## Increased requirements for quantifiable data

In parallel with the increasing number of investors paying attention to the company's sustainability efforts, requirements are becoming more stringent for quantifiability and comparability. This has led to increased focus on a more homogeneous reporting framework, such as the global reporting initiative (GRI) and the development of the integrated reporting (IR) framework from the International Integrated Reporting Council (IIRC). In 2013, the EU came with proposed legislation for mandatory reporting of non-financial factors, including the environmental and social effects of business operations. SCA monitors developments in the area and welcomes enhanced comparability and transparency.

SCA's Annual Report summarizes the parts of the Group's sustainability efforts most relevant to investors, while the Sustainability Report provides a more detailed insight.

## Economic performance indicators 2013

During the year, SCA focused on the three strategic priorities of growth, innovation and efficiency. In 2013, the Group's net sales totaled SEK 89,019m (85,408), a year-on-year increase of 4% (10% excluding currency effects and divestments). Personal Care grew by 6% (excl.

currency effects) and Tissue by 15% (excl. currency effects and divestments), the latter of which was mainly related to acquisitions in Europe. Net sales for Forest Products remained largely unchanged (excl. divestments).

Operating profit for the Group increased by 15% (19% excluding currency effects and divestments) to SEK 9,934m (8,646).

## Share performance

SCA generates value for its shareholders through dividends and share price appreciation. Normally, about one-third of cash flow from current operations over a business cycle is used for dividends.

The Board has proposed a dividend of SEK 4.75 (4.50) for 2013. Over the past five-year period, the dividend has increased by an average of 6.3% annually.

At year-end 2013, SCA had 73,317 registered shareholders. During the year, the share price rose 40% to a closing price of SEK 198. In comparison, the OMX Stockholm 30 Index rose 18%.

## Indices and funds

In 2013, SCA was assessed and qualified for inclusion in a number of sustainability indices and other rankings:

- The Dow Jones Sustainability Indices (DJSI), which include the best performing companies worldwide in terms of economic, environmental and social criteria on a branch-by-branch basis.
- The Ethisphere Institute's list of the world's most ethical companies.
- The FTSE4Good index series, which measures earnings and performance among companies that meet globally recognized norms for corporate responsibility. SCA has been included in the index since 2001 and was awarded the highest rating in its industry.
- The Climate Disclosure Leadership Index, which recognizes companies with the most transparent carbon reporting practices and that show proven ability to tackle climate change.
- Vigeo assesses companies' environmental, social and governance (ESG) performance. SCA is included in the following sustainability funds of Vigeo: Ethibel Sustainability Excellence Europe and Ethibel Sustainability Excellence Global.
- EPCI Euro Ethical Equity and EPCI Global Ethical Equity.
- The OMX GES Sustainability Nordic and OMX GES Sustainability Sweden.
- Folsam's Index of Corporate Social Responsibility 2013.

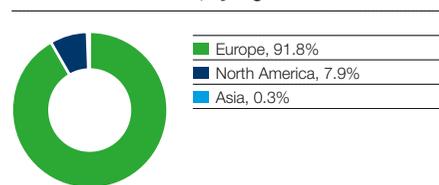
## Largest shareholders

	% of votes	% of shares
Industrivärden	29.2	10.1
Handelsbanken*	14.2	4.4
Norges Bank Investment Management	8.0	6.5
Skandia	1.6	0.4
Swedbank Robur funds	1.0	2.1
SEB Funds & SEB Trygg life insurance	0.8	1.0
Standard Life Investment Funds	0.7	1.5
SCA Employee Foundation	0.7	0.1
Fidelity Funds	0.6	1.3
AMF – Insurance and Funds	0.6	1.3

\* Including funds and foundations.

Source: SIS

## SRI\* Investors in SCA, by region



\*Socially Responsible Investments.  
Source: Vigeo

# Dialog provides knowledge

Insight into and understanding of people’s needs and behaviors are fundamental to SCA’s innovations. SCA pursues a continuous dialog and interacts with the market, where customer and consumer feedback forms the basis for new insights. Being receptive, available and reliable are our catchwords.

## Who are we there for?

SCA’s operations interact with numerous different customers, markets and needs. Put simply, our products and services are there for customers, consumers and users. Customers are companies that buy our products and services, for example restaurants, construction companies, care providers, pharmacists or retailers. Consumers and users are the individuals who use SCA’s products. For example, a teenager who buys sanitary pads at the supermarket, caregivers or residents at care facilities who use our incontinence products or a do-it-yourselfer who buys timber at a building materials supplier.

## Understanding and insight

Customer understanding and consumer insight are at the core of what SCA develops and how it delivers innovations to the market. Customers’ needs influence the ideas SCA generates, which are then developed into finished products or services for the market. We monitor macro trends to identify changes in behavior and actively look for opportunities to observe consumers’ and customers’ actual behavior. This is realized in a number of ways, including home visits by SCA, inviting focus groups to meetings and through in-depth interviews. Many valuable insights and ideas are identified in dialogs with SCA’s sales representatives. SCA also gains insight into consumers’ lives and perceptions of the Group’s products by following the discussions on our own websites like [www.libero.com](http://www.libero.com) and [www.girls1st.com](http://www.girls1st.com) or social media.

SCA’s launch of the world’s first string panty liner in 1999 is an example of how direct feedback from the consumers resulted in new products. Users wrote in and described how they used to

cut down their panty liners to fit in string panties. The development of Tempo Ice is another example of how consumer insight forms the basis of innovation. Handkerchiefs with a lemon scent were developed to provide a cooling and refreshing effect on warm summer days, a season when handkerchief consumption is usually low.

SCA’s global coverage means that the company tries to meet the needs that many people share. However, SCA adapts products and services to local needs and cultures. For example, this could apply to the packaging design or the appropriate colors for differing cultures. While Scandinavians prefer unscented products, scented products are appreciated in countries like Mexico and Italy.

## Customer surveys as a tool for improvement

Customer feedback is important to be able to offer better products and solutions and every business unit has methods to investigate customer satisfaction.

The hygiene operations conduct a systematic customer follow-up. This includes both external reports and independent surveys. For example, in 2013, SCA introduced a global system of customer follow-up in the incontinence operations and a similar system is planned for the tissue operations. The reports are important as decision support for SCA and provide an indication of customer satisfaction and improvement potential, for example, by providing a “Net Promoter Score.”

In addition to products, SCA delivers crucial knowledge and support in the development of operations at such institutions as nursing homes and, accordingly, highly values opportunities for direct customer contact. By so doing, SCA can

make a difference and create value for customers’ personnel and users.

The retail trade accounts for a significant part of SCA’s sales. The Group uses external comparison reports where the largest retail chains assess their suppliers based on such criteria as customer service, logistics, sales support, marketing and product development. Consumers who purchase retail products are followed up through general brand and product recognition surveys.

## Unsatisfied customers

SCA has well-established procedures for managing customer complaints. All information received by the company’s customer service is entered into a global business system. We always try to compensate unsatisfied customers directly and determine whether a need exists for further measures beyond the individual case. For example, production personnel receive feedback to define whether a production fault was the underlying cause.

The users’ complaints and opinions provide valuable consumer insight and it is important that the knowledge gathered is transferred to the organization. During 2013, we investigated how we could best involve our development team, to ensure that customer feedback was included in product development.

SCA’s system enables monitoring of the time taken by a case and identification of any costs for compensation and recalls. Complaints have remained at a stable and low level for the past two years. For Personal Care products, the complaint frequency is lower than one in a million supplied products. Within our Tissue operations, the corresponding figure is 2.5 per thousand tons.

## Complaints handling



## Old for one day

Many of SCA's products are used by older people. Through interviews and discussions with older consumers and their relatives as well as personnel at nursing homes, we try to understand their needs and challenges. As part of striving to gain real insight, alternative methods are also tested and one such example is the old person simulation suit (OPS suit) that allows people to "age" 30–40 years for one day.

### Limited mobility

The OPS suit is equipped with glasses that have the same effect as having cataracts, ear muffs and ear plugs that reduce hearing ability, double elbow pads that limit mobility, shoes with rounded soles that impair balance as well as a back brace with conical spikes that inflicts constant pain and impairs mobility.

Insight is used in product development and packaging design to ensure usability for older users. The suit is also used to give customers, politicians and care providers insight into the everyday lives of older people and ideas about how stores and society can be designed to facilitate for an aging population.

### Tomorrow's target group

Some 6–7% of the population in developing countries is over 65. By the middle of the century, the number will have doubled. Projections indicate that by 2100, there will be more than seven million centenarians in China, the US, Japan, India and Brazil. Understanding and insight into this target group will be crucial for SCA's retail, residential homes, hospitals and home care customer segments.



# Innovation everywhere

Innovation is absolutely essential if SCA is to identify the best solutions that meet the needs of people. Sustainability is a key driver of innovation and, conversely, innovation contributes to more sustainable solutions.

## Innovation our way

Innovation at SCA is split into three categories – upgrade, new generation and breakthrough. Sustainable innovations mean that our products will contain improvements for people, the environment and finances (see definition on page 27). This approach permeates the entire life cycle – from searching for better or new material to identifying more efficient methods and processes, smarter design and effective logistics that result in more sustainable products and services.

Good examples of sustainable innovations include the high-tech TENA U-test and TENA Identifi incontinence solutions, which ensure improvements for patients and represent a more economical solution for nursing homes (read more on the next page).

During the year, SCA invested SEK 998m (845) in what is categorized as research and development. This corresponds to 1.1% (1.0) of total sales in 2013.

## Structured creativity

SCA's innovation process always originates in an understanding of a customer or consumer need. For the next step of the process, it is necessary to have a clear link to the relevant brand strategy and SCA's overall strategy. SCA's innovation process is divided into five phases, all containing different procedures and milestones:

**Business potential and feasibility** are examined in the first phase. The Group prepares a concept based on customer or consumer insight, assesses the market situation and the global business potential as well as the technological and commercial conditions.

**Development** involves identifying possible solutions, a specific product, service or business model. The product is designed, the selection of material is analyzed, any necessary material development is determined, the technical equipment required in manufacturing is identified and initial plans for launch and communication are formulated. Furthermore, the Group ensures that the material is safe to use and the environmental performance is measured with an life cycle assessment (LCA).

**Capacity** to deliver the solution according to the established parameters is verified.

**Launch** signifies that the product or service is introduced in the selected markets.

**Follow up** continues for about six months after launch. The project team behind the new solution follows up the reception in the market, production efficiency, the lessons learned during the development process and launch plans in other markets.

In order for SCA's innovations to be as successful as possible, employees work in cross-functional teams, with proximity to and experience of different cultures and markets. And it is proximity to customers and consumers that is indispensable to the company's ability to develop solutions that make a real difference in the everyday lives of people.

## Space for open innovation

SCA has a portal for open innovation. Inventors, entrepreneurs and small companies are invited to submit solutions in response to various challenges from SCA. The solutions should be patented so that there are no outstanding issues regarding immaterial property rights should the proposal lead to a licensing agreement or other type of business arrangement.

### Employee ideas encouraged

To take advantage of the employees' creativity and good ideas, SCA launched an internal innovation platform during the year called ICON (Idea Collaboration Online). ICON is not limited to product innovations, but rather here, the employees can contribute proposals that can benefit manufacturing, logistics or marketing, for instance. In addition to ICON and other platforms, there are special physical rooms that are used for innovation activities, such as workshops, visualization and prototype development.

## Safe and environmentally sound products

Product safety and environmental assessments are important in the innovation process for more sustainable products in all of SCA's product areas.

SCA follows strict requirements and procedures to ensure that all materials in the company's products are safe for consumers, employees and the environment. SCA's supplier standard includes quality, product safety, environmental and social requirements. There is a global product safety policy in the hygiene operations in addition to the SCA supplier standard.

## 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 entire life cycle of innovations.



## OUTCOME 2013

Several sustainable innovations were launched, such as TENA Identifi, TENA U-test, Tork Intuition Sensor and a portable Tork dispenser.

On the packaging side, the food industry is an important market that sets high requirements on product safety. SCA ensures that all fibers in the products meet the requirements regardless of whether they are fresh fibers or recovered fibers. The chemicals we use in the production process are managed under strict control, which means that good, safe chemicals are chosen and handled safely.

The regulations that are most relevant to SCA concern product safety, medical technology products, material for food contact, chemical substances, cosmetics, biocide products and electronics. SCA monitors the development of all relevant regulations and the Group's operations are covered by the EU REACH chemicals legislation.

SCA uses LCAs to obtain a standardized measurement of environmental improvements in every phase of the products. This means that the company looks at the environmental impact from raw materials, production, transports and use to waste. LCAs are used both to calculate the environmental impact from new innovations and to measure the gradual improvements out in the operations. For example, SCA has used LCAs to document the climate impact of personal care products in Europe for several years. The calculations are based on the products in each range that jointly account for the majority of sales.

Product	Carbon footprint reduction 2008–2013, %
TENA Flex	7
TENA Lady	10
TENA Men	12
TENA Pants	18
TENA Slip	14
TENA Comfort	14
TENA Bed	15
Libero open diaper*	24
Libero pants	12

\* Including launches in Q1 2014.

Life Cycle Assessments are calculated biannually.



"Mercadona and SCA have a relationship that goes far beyond the classical customer/supplier relationship. We are strategic partners, so we share common goals and work as a team to achieve them. This is a fundamental part of the Mercadona model, and our way of working. To be successful, we need to ensure that we are working with the best suppliers in each category and SCA has proven itself a worthy partner during the more than 30 years we have been working together.

One of the main qualities of SCA is its ability to understand our needs locally and use its multi-national structure to meet them. This enables fast reactions to daily operational issues, while retaining a global approach to strategic issues where the expertise and best practices of other markets are required.

SCA's sustainability values are essential to the partnership with Mercadona. SCA is the only supplier of tissue, diapers and feminine care products for our leading Bosque Verde and Deli-

plus brands, so the reputation of these is in the hands of companies such as SCA. Today, consumers and society would never accept us taking risks in the area of sustainability, and we are proud to see how SCA consistently demonstrates that its commitment is genuine and based on facts."

**Jorge Gisbert**, Purchasing Manager,  
Mercadona, Spain

# Sustainable innovations

The process from innovation to launch of a finished product or service usually takes a couple of years. Some examples of sustainable innovation from SCA are presented below.

## TENA U-test

A new test card in the incontinence product can discover urinary tract infections. The test card is placed in an incontinence product, and when the product is replaced, the staff checks the card's two fields. This method makes diagnosis simpler for the staff and more comfortable for the patient compared with providing a urine sample, which may have to be done using catheters.



## TENA Identifi

In 2013, TENA Identifi was launched, a breakthrough innovation for continence care that was developed based on a distinct need of our customers in elderly care. The solution is based on a sensor product that registers urination patterns (how much urine comes and when). After three days' observation, the care staff can discern a pattern of frequency and volumes that provides entirely new opportunities to determine a conti-

nence plan and apply incontinence products as necessary. SCA thereby supports customers by addressing higher demands for active continence care. The value is both financial and qualitative; the care staff receives a clear basis for improving work and the individual a more dignified existence. The product was launched in 2013 in Denmark as the first country.

## TENA Pants

In 2013, SCA launched TENA Pants with ConfitFit™, for users with large urinary leakage. The product is 30% thinner, but just as effective as before. It provides improved comfort and makes it possible to wear tight-fitting clothes. Better resource use and less transportation reduced climate impact by 7%.



## TENA Lady InstaDRY™

In 2013, SCA launched the incontinence product TENA Lady Extra Plus InstaDRY™. The product contains a unique new absorption concept, InstaDRY™, which enables absorption of a larger amount of fluid in a very short period of time. The product also has "Fresh Odor Control" which inhibits bacteria growth and reduces the occurrence of odors. The product is smaller, more anatomically designed and has beveled edges for the best fit and discretion. Climate impact decreased by 11%.

## TENA Belt

TENA Belt is an incontinence product supplied with a reusable belt. The product is thinner and consists of materials that breathe at the same time that it provides better ergonomics for the caregiver. TENA Belt decreases the climate impact by 25%.

## TENA Solutions

TENA Solutions was introduced in Europe in 2011 and has since been launched in a number of countries in Europe and in Canada, the US and China. More information can be found on page 28.

## Sustainable Packaging

At the end of 2013, Ortviken paper mill launched the new packaging papers Splendo, Operio and Puro, which are included in the new Sustainable Packaging product area. The products are strong and light and have high compressibility. The paper is manufactured from fresh fibers, which makes it well-suited to food packaging, an industry with high demands of product safety. The products are manufactured from certified raw materials, have a low climate impact and efficient resource utilization.



### Libero open diapers

A thinner baby diaper with more efficient materials, a smarter design and improved fit. Lower weight provides resource optimization, more

efficient transportation and less waste. Between 1987 and 2013, the climate impact of Libero's open diapers decreased by 52%.



### Tork Intuition Sensor

The sensor-controlled Tork Elevation foam soap dispenser is specially developed for hygiene-critical operations such as food and healthcare, but is also suitable for office use. The risk of the spread of infection is removed by eliminating the need to touch the soap dispenser. The soap is stored in a new kind of dispensable cartridge, which also reduces the risk of the spread of bacteria. With a dispensable cartridge, there is also no spill when refilling and it contains around 2,500 doses of soap, about 2.5 times more than is in a liquid soap bottle of the same size. A LED light on the soap dispenser signals when a new refill is needed, which saves time. A QR code on the dispenser links to an instruction video – which can be viewed on a smartphone, for instance – on how to replace the soap cartridge.

### Tork napkin dispenser

With SCA's Tork Xpressnap dispenser, the use of napkins decreases by at least one-fourth compared with traditional paper dispensers. By the user only being able to take one napkin at a time, consumption is kept under control, hygiene is improved and waste is minimized. In 2013, SCA launched Cray, a new, more elegant Tork Xpressnap dispenser.



### Tork Easy Handling

SCA launched Tork Easy Handling, a combination of Carry pack and Carry Box, on a broad front. This provides two social innovations for cleaning workers that offers more alternatives to easily lift and carry the packages, which reduces the risk of attrition injuries.



### Tork portable dispenser

During the year, SCA launched a portable Tork dispenser for wiping paper that can be used in restaurant kitchens and can be easily moved between work stations. The dispenser also has a docking station on which the dispenser can

be mounted, thereby also functioning as a stationary solution. It represents an intelligent product for food preparation environments that simplifies the work of the user and promotes better hygiene.

## Definition of SCA's Sustainable Innovations

According to SCA's definition, sustainable innovations are to include improvements for people, the environment and finances. To be regarded a sustainable innovation, there must have been an improvement in at least two of these three areas. For people, the assessment criteria are health as well as social and individual improvements. In terms of the environment, LCAs, consumer waste and ecolabelling are taken into account. In relation to finances, customer value, value for the user and value for society are measured. In order for any of the categories to be considered improved, advances must have been made in at least one of the three subcategories.

# Hygiene solutions are a precondition for prosperity

SCA has knowledge of and provides solutions for better hygiene all over the world, and in all phases of life. Hygiene products account for more than 80% of SCA's operations, and the manner in which the Group conducts its business generates value that benefits individuals, society and the company.

## SCA's sustainable business model

SCA's products and services make daily life easier and provide people with the opportunity to live an active life. We share our hygiene knowledge and offer training for children, women, family members and care providers. We offer a broad range, tailored to the varying needs of customers and consumers, and adapt our business model to the prevailing conditions in various markets so that as many people as possible will have access to our products. We offer packages containing one or two products and distribute them to small local stores so that consumers with limited resources will also have access to good quality hygiene products.

## Quality of life in elderly care

The world's changing demographics, with a rapidly ageing population, is overloading welfare systems for health, medical services and pensions. The UN predicts that the number of people over 60 will increase by 200 million in ten years and reach two billion by 2050. One consequence is that incontinence and other age-related health problems will increase. At the same time, the middle class is growing and disposable income is rising, providing growth potential for SCA.

SCA's products and services generate social benefits by enabling people with chronic diseases and age-related problems to continue living at home instead of moving to residential care facilities or nursing homes. This improves quality of life for many people, and may also generate cost benefits for publicly funded care services.

## Holistic approach

Through TENA Solutions, SCA helps nursing homes provide the best care by offering procedures, analysis tools and training combined with innovative product solutions. The advantages include improved well-being for the care receivers, better workplace environments, less resource consumption and lower overall costs. A study of 180 nursing homes around the world that have implemented TENA Solutions shows clear improvements in 95% of the cases.

Through TENA Solutions, SCA can also support the customers' need for systems for quality assurance and development. In North America, for example, the results of quality evaluations

are published externally. The nursing homes that improve their activities through quality programs like TENA Solutions can distinguish themselves in the market by doing so.

## Greater customer awareness

SCA has noticed a growing interest in care initiatives that focus on results rather than individual product purchases. In Denmark, for example, the Municipality of Odense's target was to generate savings in incontinence care without compromising quality, and product prices were not the only decisive factor. Working hours account for 88% of incontinence care costs and using SCA's solution, Odense was able to reduce the number of working hours considerably and also reduce product costs. Total savings amounted to EUR 200,000, while the elderly and the personnel reported improved quality of care and security, time for more qualitative activities and a better workplace environment.

## Clearer results for male incontinence

One of eight men aged 40 or more will experience bladder weakness at some time in their life. The prostate continues to grow naturally during a man's life, as does the risk of major or minor urinary leaks. Incontinence care for men is also one of the fastest growing segments in incontinence care, albeit from a low level. Modern men are more interested in their hygiene and staying in shape than previous generations. They also have a more active lifestyle as they grow older.

During the year, SCA conducted a study of 600 men in Germany, the US and Italy to acquire a better understanding of male incontinence. The study showed that 70% of the participants with marked incontinence problems did not know there were special incontinence care products for men. The same study indicated that as few as 3% use custom-designed incontinence products. The majority solve the situation by running regularly to the bathroom, changing their underwear or stuffing toilet paper or some other kind of padding in their underpants. The results being that these men often avoided social gatherings. Interviews and focus groups show an unusually high appreciation of the tested products. This new knowledge will help SCA produce targeted and relevant incontinence care offerings for men.

## 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 programs for girls, women and caregivers.
- Strive to offer the best value for consumers, making hygiene solutions affordable to everyone.

## OUTCOME 2013

- SCA holds the number one or two position in at least one hygiene product segment in about 90 countries.
- Hygiene training programs were conducted in all product segments on all continents.
- We offer a broad portfolio of products ranging from the premium segment to the economy segment.

## India advancing

The Indian market is characterized by an enormous population, widespread poverty and low use of hygiene products. At the same time, India is a developing country, with an expanding middle class and considerable growth potential. SCA can contribute to society and build long-term business in India. During the year, the Libero (baby diapers) and Tempo (consumer tissue) brands were launched in the country.

## Mother and infant care training

SCA has great respect for how business opportunities can differ between emerging and more mature markets, and adapts the company's strategies thereafter. In India, SCA has chosen to launch the company's products and services by linking them to activities in society. When Libero was launched, SCA produced a mother and infant care training program that focused on nutrition, hygiene, skincare, breastfeeding and postpartum depression. Although the number of



children born at hospitals or care facilities has risen sharply in recent years, infant and maternal mortality rates remain high. According to UNICEF, better hygiene and breastfeeding could help to reduce the high infant mortality rate that continues to impact India.

In 2013, SCA launched a training initiative for doctors and midwives in some 25 hospitals and 500 baby health clinics in Mumbai, Pune and Goa, which reach a total of 1,000 doctors and midwives and, through them, 780,000 mothers and children. The training courses are based on SCA's extensive experience of parenting information from other markets, but have been adapted for India in collaboration with doctors with local knowledge. SCA also reaches out to mothers directly through a specially written parenting book, a website and a smartphone app featuring information about diet and nutrition during pregnancy, breastfeeding and hygiene.

SCA decided to invest SEK 150m in the local production of hygiene items in Western India. Production is scheduled to commence in 2015.

#### SCA advances position in China

Since 2007, SCA has been a partner in Vinda – China's third largest tissue manufacturing company – and a majority shareholder since the end of 2013. The acquisition of the majority in Vinda made China SCA's most important emerging market and Vinda's products are a good complement to SCA's product portfolio.

China is the world's second largest tissue market. Growth in the Chinese market, with a rapidly growing middle class, is considerably higher than in Europe and North America. During the year, SCA representatives accompanied the Swedish Minister for Health and Social Affairs and a healthcare delegation on a visit to China. SCA presented research on the effects of incontinence, compiled for the company by the "China Research Center on Aging". According to the study, 10% of Chinese households have individuals who are affected by incontinence problems that have a negative impact on their daily lives and social interaction. As a result, there is a growing need for qualified care and effective incontinence care products.

#### Home nursing alternative

In China, a rapidly growing elderly population and lifestyle changes among younger generations pose major challenges. During the year, SCA took over a pilot project for home nursing that was launched in 2012 as a joint venture project. SCA trains nurses and equips them to provide palliative care for elderly people at home. SCA also operates a nursing home for the elderly, which is planned to accommodate 150 care receivers. This type of care is rare in China and SCA has both valuable experience to offer and lessons to learn. SCA is testing similar models in Singapore in partnership with hospitals.

Due to extensive training initiatives since 2009, SCA will have provided incontinence care training for 10,000 nurses in 1,200 hospitals in China by year-end. In 2013, 3,200 nursing aids and 1,000 nursing home managers also received training.

#### Tradition and modern technology meet

Through Vinda, SCA now has access to an enormous distribution network with more than 300,000 points of sales. These range from single stores in small country communities to modern retailing chains in cities.

At the same time, online retailing is growing rapidly in China and the country is estimated to account for half of Asia's total Internet users. During the year, online retailing accounted for 10% of SCA's sales in China, and the potential remains high. At the end of 2013, SCA launched a baby club on the company's website under the Sealer brand – diapers in the economy segment. The baby club provides a forum for sharing information about children's growth and development. The news was spread in social media, such as Weibo, and the club attracted more than 8,000 members during the first six weeks.

## Sustainability efforts strengthen the customer relationship

The French retail chain Système U is involved in sustainable development and wants to educate and create awareness among consumers regarding the matter. In 2013, new flat packages for toilet paper were launched. They save storage space and reduce the product's carbon footprint through more efficient transport since 25% more packages fit on every pallet. Together with Système U, SCA has also developed a paper roll of FSC®-certified pulp, which makes the entire toilet paper or paper towel roll FSC certified, not only the paper.



# Responsible resource management

The responsible management of resources is a key part of SCA's business strategy, environmental practices and relationships with external parties. Our stakeholders expect us to assume environmental responsibility across the value chain, from the preservation of biological diversity in the forests to the effective production and use of products.

SCA is Europe's largest private forest owner and the majority of the Group's products originate in the forest. SCA's business and offering are thus based on the responsible and efficient use of forest and other natural resources.

SCA's customers and other stakeholders expect the company to develop products that

inflict the smallest possible impact on the environment. This is why SCA takes a 360-degree approach, from fiber to finished product, with ambitious environmental targets and a life cycle perspective in parallel with attaching great importance to ensuring that its products are safe for people and the environment.

Efficiency enhancements and resource management not only mean reduced costs, they also lower the environmental impact. Environmentally sound products and services are a natural part of SCA's offering. We do everything we can to reduce the environmental impact of our products.

Read about our value creation for nature:



page 32-35



page 36-38



page 40





“I began working at SCA as a forest machine operator straight after I graduated from forestry college in Hussborg in 1973.

Incredible technological advances have been made over the years that I have worked in the forest industry. Nowadays, forest machines are easy to operate and have a much better working environment. They are also much more productive.

Modern-day forestry gives special consideration to nature. It is very important when my colleagues and I use forest machinery that we exer-

cise care around biotopes, ancient remains and watercourses. We also regularly inspect our machines to make sure that there are no oil or fuel leaks that could harm nature.

I enjoy working at SCA. It is a large and reliable company. Perhaps one of the downsides of the job is sometimes that the pressure to deliver results increases from year to year. We are constantly expected to develop our driving methods so that we can harvest more and more trees in a shorter space of time.”



**Anders Eriksson**, harvester operator, SCA, Sweden

# Continued investments in energy and climate

SCA has an ambitious target for reducing its carbon emissions. This clear target, combined with continued investments, the deployment of new technology and a daily focus on efficiency enhancements, is generating significant improvements and progress.

## Improvements through new technology

By upgrading existing solutions and developing new technology, SCA achieves significant effects in the form of lower energy use, CO<sub>2</sub> emissions and operating costs. New investments are approved as part of the annual strategy process on the basis of the potential impact on the CO<sub>2</sub> target.

SCA's energy and climate investments include the lime kiln that will be commissioned in 2014 at the kraftliner mill in Munksund, Sweden. The new kiln is fueled with biofuels, in contrast to the old kiln that was oil fired, which means that the facility's annual fossil CO<sub>2</sub> emissions will decrease by 20,000 tons or 75%. Furthermore, costs will be reduced by SEK 50m per year.

## France switches to gas

The tissue mill in Gien, France, conducted a number of activities and investments to reduce emissions to air during the year. All use of coal was replaced with natural gas, thus considerably reducing CO<sub>2</sub> emissions – the equivalent of more than 15,000 tons (17%). The change of fuel enhances the efficiency of the operations while eliminating thousands of tons of ash waste from the burning of coal. In addition to this major change, a new ESAVE (Energy Savings and Efficiency) plan was launched (read more about ESAVE below) featuring a range of identified efficiency-enhancement activities.

## Enhanced efficiency with ESAVE

Since 2003, SCA's ESAVE program has contributed to energy savings and improved efficiency in all operative business units.

In 2010, SCA adopted a new target for ESAVE: to reduce energy consumption per ton of product produced by 14% by 2020. In 2013, 147 ESAVE projects were implemented, resulting in a 1.7% (1.7), or 279,000 MWh, reduction in energy used per ton of product produced. The accumulated energy savings in the 2010–2013 period amounts to 3.1%.

## Technology and involvement

ESAVE encompasses investments in high-performance technology solutions and involves employees in daily improvement activities. For example, the forest products business introduced quarterly theme days that allow personnel to discuss specific process steps, which

provides many different perspectives on the operation as well as improvement proposals.

A typical ESAVE project could involve reducing electricity consumption by improving or replacing pumps, compressors, fans or lighting. Experiences are documented and function as effective support in improvement efforts.

## Settings provided energy savings

By optimizing the settings of the paper machine in Witzenhausen, Germany, it can be run more precisely and efficiently. The adjustment has enabled the process temperature to be lowered, which has yielded energy savings and reduced emissions. In 2013, energy usage declined by 4.6% compared with the preceding year.

Purchases and installation of measurement equipment to optimize the humidity in the thermal drying systems are an example of how new technology is spread in the Group, providing economies of scale. At the end of 2013, 80% of SCA's tissue plants had fitted the technology, while installation will take place in the remainder of the mills in 2014.

## Nighttime patrols around the sawmill

Innovative thinking is one way to achieve improvements. To reduce energy use at SCA's sawmills, employees simply walked around the facilities looking for compression leaks, humming noises or lights that were left on unnecessarily. In the autumn, the sawmill tours were expanded to include nighttime patrols. The presence of light and sound indicates that something is continuing to use energy despite operations being at a standstill.

## TARGET

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

SCA 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.



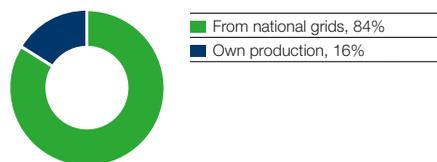
## OUTCOME 2013

- At year-end 2013, CO<sub>2</sub> emissions had declined by 11.8% compared with the reference year.
- SCA continued to make extensive investments to achieve its climate targets. SCA is installing a new biofuel-fired lime kiln at the kraftliner mill in Munksund, which will reduce the carbon footprint by 75% and costs by SEK 50m annually.
- The company's ESAVE energy-efficiency program resulted in a 1.7% (1.7) reduction in energy used per ton.

## New transport initiatives

For some time now, SCA has been monitoring the environmental impact from its transport activities and is working on a broad front to reduce emissions. These efforts include increasing the fill ratio, applying various techniques to reduce fuel consumption and strengthening purchasing procedures. The Group's total transport emissions were 0.86 million tons (0.82) in 2013.

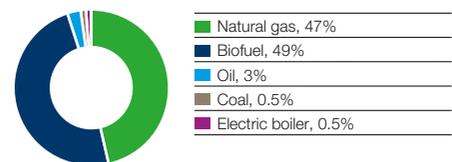
## Electricity consumption 2013



### Electricity consumption 2013: 8,280 GWh

The majority of SCA's electricity, 84%, comes from national grids, while 16% derives from electricity produced in the Group's co-generation plants.

## Fuel consumption 2013



### Fuel consumption 2013: 61,247 TJ fuel

A total of 47% of SCA's fuel consumption comes from natural gas and 49% from biofuel. Oil and coal account for a mere 3% and 0.5%, respectively.

### *Shipping dominates*

Shipping accounts for 72% of SCA's total transport activities. For some of its shipping needs, the Group uses its own vessels; it is the owner of three roll-on roll-off (RoRo) vessels with a total freight capacity of about one million tons.

During 2013, SCA implemented a number of measures that helped to reduce the fuel consumption of the three RoRo vessels by 3.4% compared with 2012. Measures included the installation of new autopilots that optimize the vessels' movement in the water and result in smoother operation, as well as new measurement tools to monitor fuel efficiency. Furthermore, by simply cleaning the vessel hulls a few extra times, marine growth and friction were reduced. Overall, the year's actions yielded both economic savings and reduced carbon emissions corresponding to 2,800 tons.

SCA also uses container vessels to transport paper and timber to Rotterdam from Sundsvall and Umeå, for onward distribution from Rotterdam with ocean-going vessels. To increase the degree of utilization, the vessels call at Stockholm and St. Petersburg on their return voyage

from Rotterdam, carrying goods from external customers. For SCA, the higher degree of utilization entails an 8% decrease in specific emissions measured in grams of carbon dioxide per ton-kilometer.

SCA supplements transports under its own direction with external procurement. In 2013, SCA implemented its first Group-wide overseas freight tender which resulted in considerable savings and coordination among units. SCA ships significant volumes, particularly from Europe, but also from the Pacific region and North, Central and South America. The volumes total 75,000 TEUs\* on an annual basis, corresponding to a value of SEK 700m.

### *Progress for road haulage*

23% of SCA's freight moves by road. During the year, the Group initiated a far-reaching project aimed at coordinating the procurement of road haulage in Europe – in total, this involves freight services valued at about EUR 200m. The choice of suppliers is controlled by quality, price, capacity, sustainability criteria and SCA's Code of Conduct.

Together with the Forestry Research Institute of Sweden, SCA is participating in the "One More Stack" project. Tests have shown that it is possible to cut emissions by about 20% by attaching an extra trailer to the timber rigs. In Sweden, SCA is also testing another type of truck that is the conventional length but has been reinforced to carry a total weight of 74 tons rather than the standard 60 tons. At present, the vehicle runs on RME, a biomass-based fuel with 65% lower carbon emissions.

### *Rail transport*

Rail currently accounts for 5% of SCA's total freight – this small share is partially due to restrictions in the rail network. Because rail transport is a carbon-efficient alternative, SCA is working with the Swedish National Road and Transport Research Institute (VTI) on the possibility of running longer and heavier freight trains for forest industry goods.

\* Twenty foot equivalent unit, a unit of cargo capacity.

## Climate economics requires a long-term approach and stability

The EU Emission Trading Scheme (EU ETS) is the world's first international trading system for carbon emissions. Since 2005, the ETS has been at the core of the EU's climate policy and the third phase commenced in 2013. This involves the most stringent requirements to date aimed at lowering carbon emissions for plants and factories throughout the EU. Companies that are unable to meet the limit values must compensate by purchasing emission rights.

### **Stricter requirements**

SCA has 37 mills and plants included under the ETS. Thus far, SCA has an annual surplus of emission rights. However, the new phase means that quotas are more limited than before. SCA's operations in the Nordic region will continue to produce a surplus, while its operations in the rest of Europe will have a certain deficit. The balance provides an annual surplus of about 200,000 tons of carbon dioxide equivalents, which is lower than in the past. The surplus is the result of the measures implemented by SCA over an extended period in the form of

energy-saving activities, process optimization, choice of fuel and major investments, such as new lime kilns in Munksund and Östrand in Sweden.

In 2014, the EU will review the industries that will receive a free allocation from 2015, known as the carbon leakage list. The decision is based on the risk of an industry moving its production from Europe or the risk of a substantial rise in imports due to the increased costs entailed by the ETS. The market price for emission rights was about EUR 5 per ton in 2013. SCA sold 410,000 emission rights in 2013.

### **The importance of stability**

Initiatives involving energy-efficient technology and new ways of working are continuing with the aim of reducing SCA's carbon emissions. After 2020, however, there is less certainty since no clear continuation plan is in place to follow on from phase three. If the system is to support the desired effect, the industry will require long-term stability and the possibility to plan the right investments in a timely manner.

# The forest as a platform for renewable energy

SCA works on a broad front to increase access to renewable energy. The forest plays a central role, both as a location for new wind farms and in the production of biofuel. With a focus on resource efficiency, we produce energy by utilizing the raw materials and wood residuals.

## Wind power strategy

Wind power represents a significant part of SCA's renewable energy program. The wind power strategy is based on three main pillars.

- Joint venture with energy producers: SCA can be a co-owner in a wind power project, which is the case in the collaboration with the Norwegian companies Statkraft and Fred. Olsen Renewables.
- SCA independently pursues wind power projects: In certain cases, SCA is the initiator of wind power projects that may be divested, form part of a future collaboration or operated independently by SCA.
- SCA leases land to energy producers: This could involve leasing sites for smaller wind farms, or a case in which a larger wind farm uses a small part of SCA's land, but it could also involve even larger projects.

### Joint venture yields results

Statkraft SCA Vind AB, formed in 2007, inaugurated its first wind farm in Stamåsen, Sweden

during the year (see below). Also during the year, all 37 turbines in another wind farm, Mörttjärnberget, were constructed, and a number have already been operated on a trial basis. The plan is to construct a further 120 turbines over the coming two years. Overall, the joint venture is planning six wind farms, with an annual capacity of approximately 3.0 TWh of renewable electricity.

In cooperation with Fred.Olsen Renewables, SCA has submitted a permit application to construct a total of 180 wind turbines. The investment decision is expected to be taken not later than 2015.

### From independent action to collaboration

SCA's collaboration with E.ON had its starting point in applications initiated by SCA. E.ON took over the applications when the collaboration commenced in 2012 and added to them during the year. The applications now comprise the construction of a total of 300 wind turbines. Pending a decision, E.ON and SCA are performing wind measurements in the area.

## TARGET

### Wind power

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

### Biofuels

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



## OUTCOME 2013

### Wind power

0.75 TWh (0.4) of wind energy from SCA forest land was delivered to the grid. The first wind farm in the collaboration between SCA and Statkraft was inaugurated.

### Biofuels

SCA's production of forest-based biofuels amounted to 909 GWh (870 GWh in 2010). That is enough power to heat 30,000 single-family homes.

## First wind farm inaugurated

The first wind farm was inaugurated in September of last year as part of SCA's and Statkraft's major wind power venture in the counties of Västernorrland and Jämtland, Sweden. Named Stamåsen, the farm's 26 turbines will generate 200 GWh of electricity, corresponding to the household electricity requirements of 39,000 houses. When it is fully built out, the wind farm's output will be 350 GWh.

"It is one of the largest industrial projects in Sweden," says Jakob Norström, CEO of Statkraft SCA Vind AB (SSVAB).

The Mörttjärnberget wind farm was also commissioned in early 2014, and construction work is ongoing at another two farms. The wind power program has both a local and a global dimension. To date, it has created 300 construction jobs and SSVAB's projects are expected to generate 2,000 full-time jobs. In addition, it benefits local businesses, such as supermarkets, camping facilities and conference centers.

There is a greater perspective involved than just the local. Sweden has ambitious climate goals, one of which is to achieve a share of 50% renewable energy by 2020. The expansion of wind power is required to achieve this target. Ultimately, it is about assuming a global responsibility for replacing fossil fuels with renewable energy.

### Did you know that...

- SSVAB is 60% owned by Statkraft and 40% owned by SCA.
- The joint venture project between SCA and Statkraft includes an investment decision for a total of 186 wind turbines that will generate 1.6 TWh annually. However, when fully built out, the project will encompass 350 wind turbines generating 3 TWh.
- Statkraft will fund the project while SCA will provide the land.
- The wind turbine towers are 115 meters in height and the rotor blades are 55 meters in length.
- There is an artificial nest next to Stamåsen for the golden eagle. When a predator inventory was carried out in 2008, four golden eagle nests were found, and the purpose of the artificial nest is to lure the eagles further away from the farm and improve the bird of prey's reproduction possibilities.
- Electricity customers in the counties of Västernorrland and Jämtland were given the opportunity to purchase shares in the Stamåsen wind farm, thereby giving them access to locally produced electricity.

*Mathias Kjellsson, operations and maintenance engineer at the Stamåsen wind farm, has a magnificent view from his place of work some 100 meters above ground.*

*Leasing land for wind power*

SCA has leased land to various energy producers for more than 1,000 planned wind turbines. Just over 100 are already in operation. Although the majority of these are small wind farms, they contribute to SCA's target for wind power production.

**Renewable energy from biofuel**

In 2013, SCA produced 3.0 TWh (2.9) of biofuel-based energy, of which the production of forest-based biofuels amounted to 909 GWh (890). Due to unfavorable market conditions, the production increase is modest. However, SCA foresees an increased demand in the longer term.

The forest-based biofuels comprise felling residue such as branches, crowns and stumps as well as fuel from peatland. Other biofuels are produced from the by-products of the mills, mainly sawdust, for pellet production.

*Innovation and streamlining generate energy*

Thanks to innovative solutions, SCA can convert by-products into valuable energy. One example is

the tissue mill in Ortman, Austria, where an investment of EUR 9.9m has enabled the production of biogas based on wastewater. Thanks to an innovative technology, nearly 100 cubic meters of biogas is produced per hour. Biogas is used in production to generate electricity and steam.

By upgrading the equipment at the liner-board mill in Munksund, Sweden, it has been possible to reduce the volume of soap burned in the soda recovery boiler. As a result, the soap can instead be used to produce tall oil. Tall oil is a renewable feedstock fuel with the potential to generate revenues since it can be used to produce bio-based vehicle fuel.

*High-quality fuel pellets*

SCA produces fuel pellets from sawdust from its mills at the pellet plants in Härnösand and Stugun in Sweden. The bulk of the pellets (60%) are sold to customers outside the Group. Fuel pellets are used in boilers of varying sizes, ranging from industrial scale to those used in the home. The market is currently characterized by

narrow margins due to overcapacity. As a result of this situation, SCA is focusing on improving quality and increasing the internal use of pellets as a replacement for oil.

In 2013, Sundsvall Energi's district heating system was connected to SCA's paper mill in Ortviken and the pulp mill in Östrand, Sweden. The collaboration will reduce oil consumption in Sundsvall by 25,000 cubic meters per year. The energy will instead be sourced from Östrand's waste heat and the burning of pellets at Ortviken. The system was commissioned in November 2013.



## Greater traceability in the value chain

SCA promotes sustainable forest management and applies Group-wide procedures and resources to improve traceability and ensure that wood raw materials come from non-controversial sources. Procedures for control and verification remain central to ensuring responsible fiber sourcing.

### Target's significance

SCA's basic target since 2005 has been to ensure that none of the wood fiber in the Group's products is sourced from controversial sources. Controversial sources are defined as:

- Illegally logged timber.
- Timber from High Conservation Value Forests (HCVF).
- Timber from areas where human rights or the rights of indigenous people are violated.

SCA currently has 100% control over the origin of its wood raw material, including pulp. However, this is not a static situation – it is an ongoing challenge as SCA grows in new markets.

### Chain of Custody is key

SCA's global product ranges and expansion of the hygiene business are supported by a Group-wide strategy for purchasing fiber. Depending on what functionality the customers demand, the Group can offer tissue manufactured of 100% recovered fiber, 100% fresh fiber or a mix of the fiber types. They all meet high environmental standards and the customers can feel secure knowing they made a sustainable choice.

During 2013, SCA developed and launched a shared business system – the Global Fiber Database – for the assessment and purchase of fiber in compliance with SCA's forest management policies.

The database is an internal system containing all the Group's pulp, recovered fiber and alternative fiber suppliers. It provides the purchasing function, environmental department, development department and the production facilities with fast and easy access to important information about suppliers, pulp specifications, life cycle assessment data and bleaching methods.

The information also includes the suppliers' product certification status: FSC® (Forest Stewardship Council), PEFC™ (Programme for the Endorsement of Forest Certification), Controlled Wood, ecolabels, ISO 9000, etc. This means that the Global Fiber Sourcing unit can ensure traceability, the development department can check the availability of a certain raw material and the mills can show customers exactly what has been purchased. The database covers Europe, Americas and Asia.

### Supplier verification and development

SCA demands that its suppliers comply with high environmental and social standards (see page 48). Pulp suppliers must be able to guarantee robust systems and documented procedures to ensure traceability and compliance throughout the supply chain. In recent years, SCA has intensified the work of evaluating and increasing the quality of its pulp suppliers, which resulted in the number being cut considerably to 23. Of these 23 suppliers, the ten largest account for 87% of purchases. The figure increases to 96% if purchases from SCA's own plants are included.

All suppliers of paper pulp are Chain of Custody (CoC) certified according to FSC and/or PEFC. SCA's purchasing policy for wood raw materials includes a step-by-step process to support suppliers in their transition to third-party certification. SCA is positive to the growing trend towards forest management certification under the two international standards, FSC and PEFC, particularly since this encourages continued dialog with suppliers.

SCA continues to visit suppliers and conduct audits to verify compliance with the policy and supplier requirements. Nine supplier mills were audited with positive results in 2013.

### Forest certifications and standards

SCA's own forests have been certified according to the FSC standard since 1999, and the PEFC standard since 2011. The Group undergoes audits to verify compliance with both standards.

All of SCA's wood-based industries are supplied with FSC-certified timber or timber that meets the FSC's controlled wood standard, in other words, no timber used in SCA's operations comes from controversial sources.

SCA's target is to purchase all fiber from sustainably managed forests with third-party certification. We prioritize the FSC certification system, and encourage all suppliers to work toward certification. Accordingly, we recognize several systems for forestry management, including PEFC, SFI (the Sustainable Forestry Initiative) and CSA (the Canadian Standards Association). Other certification systems may be considered on a case-by-case basis.

During the year, SCA initiated the process to achieve both FSC and PEFC CoC certification in

### TARGET

#### Fiber sourcing

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



### OUTCOME 2013

- 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.
- More than 60% of timber deliveries and 60% of pulp deliveries to the company have FSC and/or PEFC certification. The remaining timber volumes meet the FSC's controlled wood standards, while the remaining pulp deliveries meet the FSC's standards for controlled pulp or are inspected by SCA's own auditors.

the European tissue mills acquired from Georgia-Pacific in 2012. In total, eight mills were CoC certified under FSC. The company is also working to achieve FSC CoC certification for the North American operations in preparation for the market launch of additional FSC label products. In 2013, the paper mills in Menasha and Neenah and the North American sales offices were all CoC certified.

### Recovered fiber in tissue

SCA uses recovered fiber in the company's tissue operations. Overall, the mix is 50% fresh fiber and 50% recovered fiber, but the proportion varies between regions due to differences in consumer preferences and fiber supply and demand. The North American operations use almost 100% recovered fiber, while the proportion of recovered fiber is 82% in Latin America and 44% in Europe.

The declining use of publishing paper in North America and Europe has led to limited supplies of recovered fiber. SCA partners with trade organizations and recycled paper operators to increase and improve the collection of recycled paper and board, and thereby the availability of recovered fiber. In Sweden, SCA is

## The forest's potential as a carbon sink

SCA is a member of the World Business Council for Sustainable Development (WBCSD), which at the end of 2013 presented its Action 2020 plan. The plan aims to develop solutions so that the world's population can live well within the planet's resources and limits.

SCA has participated in preparing solutions, "Big ideas", and emphasized the forest's ability to absorb carbon dioxide and how the use of products from sustainable forestry has a positive impact on the environment. The solution is one of those chosen to be included in Action 2020.

### Opportunities presented by sustainable forest management and wood fiber-based products

The idea is based on the application and distribution of forestry according to a Swedish model based on regeneration. The Swedish model has resulted in an almost twofold increase in the forest standing volume compared with 90 years ago, despite the fact that the yield from the forest during the same period has doubled.

According to the UN climate panel, deforestation worldwide gives rise to 15–20% of global emissions. Deforestation is primarily a prob-

lem in tropical regions. One cause of deforestation is poverty and the creation of agricultural areas.

Sustainable forest management practices involving replanting would instead increase absorption and bind carbon dioxide in growing forest. Growing trees need 1.3 tons of carbon dioxide to produce one cubic meter of wood. SCA's forests have an annual net growth of 1%, which means that they absorb 2.6 million tons of carbon dioxide per year, which exceeds the total emissions of carbon dioxide from all of SCA's production facilities\* by a wide margin.

Moreover, wood products naturally bind carbon. A major climate gain is achieved when forest-based products replace material with a negative climate impact.

If forest management practices according to the Swedish model were introduced in half of the world's forests at the same time as deforestation was halted and damage to forests halved, all of the world's carbon emissions would be absorbed by growing forest, the oceans and general vegetation.

\* SCA's use of fossil fuel.



part-owner of Pressretur, a company that oversees paper recycling across the country.

The quality of recycled paper can decline if recycled materials are not separated. In 2013,

SCA initiated a project to codify return fiber qualities and register the information. This is a first step toward also improving quality and traceability for recovered fiber.

# Conscientious forest management generates growth

SCA is Europe's largest private forest owner and takes a long-term approach to the management of its forests, both in terms of timber production and by showing consideration for the forest's other assets. Through responsible forest management, we preserve the forest's environmental values – biodiversity and the forest as an environment to experience and enjoy – in parallel with generating valuable renewable raw materials.

## Biological diversity highly prioritized

The preservation of biodiversity is the most important environmental target in the management of SCA's forests. The forest is a source of valuable and renewable raw materials, but it also provides a living environment for a multitude of flora and fauna. The forest absorbs carbon dioxide, regulates water flows and generates value for society in the form of such pursuits as hunting, fishing and recreation. The importance of biodiversity for society and humanity extends beyond the boundaries of what we can see and touch.

Around 2 million of SCA's 2.6 million hectares of forest land are managed for timber production. The remaining 600,000 hectares of less productive forest, bogs and other land is still valuable as a living environment for flora and fauna.

We have conscientiously taken inventory of our forests to secure biodiversity. Areas that provide vital habitats for sensitive fauna and flora are exempted from forest management or are managed with the aim of enhancing the existing environmental values. Approximately 200 species in SCA's forests – over 100 species of insects, nearly 50 types of fungi and about 50 different kinds of mosses and lichens – are disadvantaged by forest management and require special consideration.

SCA has set aside nearly 7% of its managed forests to benefit biodiversity. This planning is included in ecological landscape plans that cover all of SCA's managed forests.

SCA also takes extensive conservation measures in managing forest areas that do not contain any particular conservation value. During felling operations, individual trees, groups of trees and buffer zones are set aside to ensure that the conservation values inherent in the older forests are preserved and they become an integrated part of the new growing forest. In 2013, 15% of the just over 18,000 hectares planned for harvesting were saved.

### SCA's first diversity park

In 2013, SCA's first diversity park in Peltovaara in northernmost Sweden was inaugurated. A diversity park is a larger area of forest that contains

substantial conservation value and where the forest is managed to further enhance these values. In addition, the aim is to make these values attractive and available for people in the region. The diversity park in Peltovaara comprises more than 3,000 hectares and is the first in a series of diversity parks to be set up in SCA's forest holdings. At the end of 2013, SCA was granted a permit to establish a 1,500 hectare diversity park on the coast at Njurunda, Sweden.

### Land exchange with the Swedish Environmental Protection Agency

During the year, SCA exchanged a substantial area of forest land with the Swedish Environmental Protection Agency. SCA transferred 23,000 hectares of forest with substantial conservation value to the Swedish Environmental Protection Agency for use as a nature reserve. In exchange, SCA received 32,000 hectares of forest of a lesser conservation value, which will be managed under the same policies as the remainder of the Group's forests. This exchange advanced Sweden's position toward the Swedish Parliament's environmental target of protecting living forests in reserves.

### Responsible forestry and wood raw material

In 2013, 53% of wood raw materials used by SCA was sourced from the Group's forests, and of the remainder, 35% came from Sweden, 10% from Central Europe and 2% from the Baltic States.

SCA's forests are managed in line with the Forest Stewardship Council's (FSC®) ambitious standard for responsible forest management. The 2013 FSC audit was carried out with positive results and with no major infringements. A few views were expressed with regard to the health and safety efforts of various contractors and the procedures for procurement of contractors' services.

SCA's forests are also certified in line with the Programme for the Endorsement of Forest Certification (PEFC™) and the Group conducts controls based on both of these standards. SCA's forest management has been ISO 14001 certified since 1998.

## TARGET

### Biodiversity

We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land 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.



## OUTCOME 2013

- 7% of SCA's productive forest land has been set aside in the long term from forestry in ecological landscape plans.
- In 2013, 15% of the area in planned harvesting sites was set aside for preservation.

## Growing forests

SCA's forests are managed with a long-term approach. Since 1947, the volume of living trees in SCA's forests has increased by 40%, while its growth rate has more than doubled. The standing volume will continue to grow in future decades.

In the latter part of 2013, a couple of unusually strong storms passed over northern Sweden, causing extensive forest damage. This will have a strong impact on SCA's forest operations in 2014. The storm-felled timber must be removed as soon as possible to avoid insect damage at the same time that SCA needs to provide the industry with the right raw materials.

In 2013, SCA's forest-tree nursery produced 101 million seedlings, of which 40% were planted in SCA's own forest land. The rest of the seedlings were sold to other forest owners.



"My job is to provide support for sales of TENA incontinence care products to care institutions in Shanghai. I always feel motivated to go to work since what we do really does make the work of caregivers easier, improves the well-being of care recipients, reduces total costs and helps create a better environment in nursing homes.

I often receive positive feedback from Chinese caregivers and that makes every day at work feel meaningful."

**Sophie Sun**, Assistant Sales Manager,  
Incontinence Care, SCA China



# Water usage target achieved

Access to clean water is critical for everybody – people, industries, agriculture and the ecosystem. We aim to optimize our water use and guarantee the highest possible water quality. We achieved our target of reduced water use in water-stressed regions.

## Mindful approach to water usage

The issue of water is being dealt with systematically – SCA monitors the volume and origin of the water it uses as well as the quality of its effluent water. About 60% of the Group's water was used to transport fibers during production processes and the remainder was mainly used as cooling water. Approximately 90% of the water used is drawn from surface sources.

SCA's reporting encompasses all production sites and, in 2013, the Group used 210 million cubic meters of water (210) in pulp and paper production.

## Focused activities in water-stressed regions

In some water-stressed regions, the availability of water is so limited that the use of groundwater is increasing. When access to drinking-quality water is jeopardized, it can cause major problems for entire communities, and SCA can bring about major environmental improvements by reducing water usage in such regions. One of the Group's water targets is therefore focused on reducing water usage in water-stressed regions.

Most SCA mills, accounting for 96% of water usage, are located in areas of water abundance. Using a method developed by the World Resources Institute, ten SCA units whose operations are affected by the target were identified. These are located in Italy, Spain, Mexico, Colombia, Australia and the southwestern US. Since 2010, the specific water consumption in these ten units has fallen by 10.4%. This means that SCA already achieved the goal this year.

The facility in Allo, Spain, accounted for the largest decrease in water use, but the facility in Sahagún, Mexico, also reported significant reductions. In Allo, a water tank was installed at the end of 2012 that made it possible to store process water upon surpluses in the system. Previously, all surplus water went straight to water treatment. Other steps included optimizing the paper machine's water system to reduce excess water, recycling cooling water and replacing vacuum pumps with a turboblower system that does not require cooling water.

There is, however, good reason to also reduce water consumption in facilities located in regions of water abundance. Reducing the volume of water to be pumped around saves energy and thus lowers costs and the environmental impact.

## Ambitious targets in Mexico

For the past number of years, the tissue mill in Sahagún, Mexico, has implemented a program aimed at reducing water consumption. In just two years, the facility has reduced the volume of water used in tissue production from 25 to 16 cubic meters per ton. This saving was achieved by optimizing processes and increasing the recycling of process water by utilizing new technology. Sahagún's objective is to reduce the volume of water used to produce one ton of tissue to ten cubic meters by 2016.

## Enhancing effluent treatment

SCA works continuously to enhance its effluent treatment and thus the quality of the effluent water discharged from its plants. Mechanical treatment removes suspended solids, sand and particles, while biological treatment extracts dissolved solids and organic impurities that affect biological oxygen demand (BOD) and chemical oxygen demand (COD).

SCA's second water target focuses on employing mechanical and biological water treatment in all plants by 2015. The paper mills in Medellín, Colombia, and Kunheim, France, are currently the only two – of a total of 44 – that do not have a biological effluent treatment system installed (both deploy mechanical treatment). The operations currently comply with all environmental regulations, and SCA is awaiting the introduction of new environmental legislation to determine the most efficient biological effluent treatment method to be deployed at these mills.

## Greater biological capacity

During the year, the treatment system in Lasso, Ecuador, was expanded. The existing facility was not equipped to efficiently deal with the organic impurities in the effluent. The new technology installed in the plant treats the reject water in a moving bed biofilm reactor, forming a biosludge that can be separated from the water. Initial tests indicate results below threshold values, and once the system has been calibrated, these values are expected to drop further to well below the permit requirements.

The facility in Uruapan, Mexico, began using a new effluent treatment method, known as fine bubble aeration. Using this method, very small air bubbles rise from the floor of the aeration tank, thus oxygenating the water and feeding the living organisms that consume organic matter and,

## TARGET

### Water

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as the reference year.



All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

## OUTCOME 2013

- By year-end 2013, water usage in water-stressed regions declined by 10.4% compared with the reference year of 2010.
- Of the Group's 44 pulp and paper mills, mechanical and biological effluent treatment systems have been installed at 42 plants.

thereby, lower the water's BOD. Compared with the previous method, which used a propeller to mechanically create bubbles, the process is 34% more energy efficient. A corresponding technology shift at the tissue plant in Flagstaff in the US has also yielded more efficient and consistent results for the biological effluent treatment.

*Efficiency improvements in Europe and the US*  
SCA's facility in Gien, France, installed a biological system for effluent treatment during the year. The new facility is yielding COD values that are half of the highest limit value specified under the EU's forthcoming regulations for the best available technology (BAT), and correspond to one-fourth of the permitted BOD levels. This enables SCA to reuse this water in production, thus replacing freshwater. The favorable outcome of these activities signifies that SCA is well positioned to comply with more rigorous regulation in the area.

The tissue mill in Menasha, in the US, successfully substituted 1,635 cubic meters of freshwater with high-quality treated water. This was possible thanks to a new technology that will be used to also reduce fresh water consumption at other SCA plants in the US.

Improvements made to effluent treatment, primarily at SCA's Swedish mills (Munksund, Ortviken, Obbola, Östrand), and reductions of suspended particles at the Swedish and Colombian paper mills (Cajica, Medellín) resulted in a significant lowering of COD/BOD emissions (23% and 39%, respectively) and suspended particles (30%).

# Innovations turn waste into resources

Minimize, reuse and convert are the catchwords for managing SCA's waste and by-products from production. The Group initiates partnerships and evaluates smart solutions to minimize waste throughout the entire chain – from raw material to end-consumer.

## Minimization as starting point

Greater resource efficiency minimizes waste and by-products, and thus the environmental impact of products. Efforts to minimize pre-consumer waste are also driven by rising landfill costs. SCA uses life cycle assessments (LCAs) to minimize waste, all the way from the product design stage to manufacturing and end-use.

In SCA's production processes, waste is produced in the form of ash, sludge, organic waste and plastic. A significant part of the production waste (1.4 million tons or 75%) is recycled as raw material for other industries, such as the construction industry, or as energy. For example, the facility in Sovetsk, Russia, reduced the amount of waste to landfills by 96% by selling sludge to the construction industry.

Between 2005 and 2013, the amount of waste sent to landfills declined 75% for SCA's European personal care operations, and 99% for the North American operations.

## From waste to functional form

The tissue facility in Ortmann, Austria, developed a process where they use residual fibers from manufacturing to produce pallets, for instance. This innovation is in an early stage and is a result of the partnership between Ortmann and the Messerli Research Institute at the Interuniversity Research Institute for Agrobiotechnology (IFA) in Tulln, Austria.

## New material streams

In connection with the extension of the area around the Tunadal sawmill in Sweden, by-products, such as ash and sludge from Ortvisken paper mill and Östrand pulp mill, are being used as materials for land. From 2013, one diked-in area will be filled every year with more than 36,000 tons of ash and 33,000 tons of green liquor sludge from Ortvisken and Östrand to become filler in land expansion. The diked-in area is built and being sealed to avoid any leakage to surrounding water. The ash and sludge used in the land-building project is practically inert. In the diked-in area, this material hardens quickly and becomes stable and largely unaffected by factors in its surroundings.

## Hazardous waste

Waste that is potentially hazardous to human health or the environment is handled according to stringent procedures. Following the closure of the sawmills in Holmsund and Vilhelmina in Sweden during the year, a soil contamination survey was conducted to assess whether any remediation efforts were required. Land remediation was carried out in Vilhelmina at a cost of some SEK 2m. Land surveys to identify the need for any remedial action in Holmsund are ongoing.

## Reduced consumer waste

Part of SCA's innovation process is to examine how to reduce the environmental impact of products throughout the product cycle. This includes what happens to the products after use.

## Recycling

A growing population and shortages of resources mean that interest in the value of used products is growing. SCA's tissue consists of wood fibers that, beside being renewable, can also be recycled and used to make new tissue. Recycling of materials from personal care products, such as baby diapers, is currently limited by available technology and hygiene requirements.

Energy recycling (combustion) of tissue generates renewable energy. The combustion of personal care products, which consist of 25–80% renewable materials, is also positive.

## Reduction

Since the mid-1980s, SCA has actively worked to make thinner products, which reduces waste. One example is Libero open baby diapers, where the material consumed has been reduced by 46% since 1987.

During the year, TENA in Italy tested a vacuum machine that compacts incontinence products and the service is offered to customers where the volume of the waste is a problem. The method also entails better hygiene in the handling of used incontinence products and elimination of odor problems. At the same time, the waste cost is reduced for customers that pay per volume unit.

SCA is also working to totally eliminate consumer waste by producing biodegradable paper products. Tork has multiple products in the US market that are certified as compostable, such as Tork Advance and Tork Universal.

## Ecobalance initiative

SCA works to raise end-user and consumer awareness of recycling. Through partnerships with other players, the Group's initiatives become more effective. Through membership in the Consumer Goods Forum (CGF), SCA is involved in supporting new and efficient waste management systems mainly in countries where landfills are common.

The "Power of Three" initiative in the north-eastern US where SCA cooperates with Casella Waste Systems and Foley Distribution continued in 2013. Casella Waste Systems has introduced a recycling system at universities in the region where it collects recyclable materials and in return provides data so that the universities can calculate their environmental impact. The recycled materials are delivered to SCA's paper mill in South Glens Falls, N.Y. and converted to 100% recovered fiber-based tissue. Foley, a distributing company, then delivers the new products to the universities.

In the Netherlands, SCA has initiated a collaboration called Paper for Paper with De Graaf Security, a company that collects office paper. Instead of burning the paper, it is transported to SCA's paper mill in Cuijk where the fiber is recycled into Tork tissue products. Used tissue is also collected from the offices to be included in the same recycling process and thereby close the ecocycle.

Similar cooperation called "Shred to Tissue" has been initiated in the UK between SCA and the recycling and waste company SITA. SITA collects office paper that is shredded before it continues to SCA's paper mill in Prudhoe to become new tissue products.

SCA also has a partnership with Foodservice Packaging Institute in the US to find a way to increase recycling and reduce the amount of packaging waste that goes to landfills.

# Social benefits on a broad front

SCA's work with corporate social responsibility is based on a strong corporate culture permeated by the core values of respect, responsibility and excellence. By setting high standards on business ethics, labor law, working environment and human rights, we act as a credible and reliable partner for our customers, an attractive employer and a good member of society.

Stakeholders expect SCA to take considerable corporate social responsibility and it is of utmost importance that we safeguard our relationships to customers, consumers, suppliers, employees and the communities in which we operate. SCA's Code of Conduct is the compass that helps us translate our values and good intentions into meaningful actions.

SCA should be a safe workplace that offers personal development. Safety is the highest priority – no one should risk damaging their health at work. SCA also puts a great degree of effort into leveraging the potential of every individual. Motivated, skilled and high-performing employees are a success factor for SCA.

We carefully choose suppliers and support them in their work to develop their social and environmental performance. We also strive to be a responsible and appreciated member of society, for example, by participating in hundreds of social initiatives around the world.

Read about our value creation for people:



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page 56-57





"In April of 2011, I was heavier than I'd ever been. I had one young daughter and a new baby on the way. When I reviewed the results of my SCA-sponsored health check, I came to a realization – I had to change my lifestyle. I took action and made immediate changes. I started drinking plenty of water, cutting out evening snacks and playing basketball at the local YMCA.

Four months later, on the exact day my son was born, I received new results from my

primary care physician. All of my levels had improved and I have since made slow and steady progress. Basketball has become a big part of my life. If you can find something you love, it's much easier to keep it up.

I am very grateful for the SCA health check. It made me realize that I had problems that I really needed to deal with, and it helped me do just that."

**Dave Lemke**, Territory Manager, SCA, USA

# Code of Conduct turns values into action

SCA's Code of Conduct helps us turn values into direct action, and thus forms the basis for our commitments to environmental and social responsibility. Risk analyses, training, audits and other monitoring processes are implemented to ensure compliance with the Code of Conduct.

### Code of Conduct provides guidance

SCA's reputation is based on trust – trust that the company earns by managing our operations and relationships in a responsible manner. SCA's Code of Conduct was introduced in 2004, and helps transform the core values of respect, responsibility and excellence into action. The Code is the company's compass, regardless of its operational focus, geographic distribution or any other changes that the company may face.

Turning the Code of Conduct into action requires clear commitment from top management and processes for ensuring compliance to the Code in planning, governance and monitoring of the business. All employees must be given the knowledge and other prerequisites for acting in line with SCA's values and Code of Conduct.

### Proceeds from international standards

SCA's Code of Conduct is based on international standards including the UN Declaration of Human Rights, the ILO Core Conventions, the OECD Guidelines for Multinational Enterprises and the UN Global Compact Principles and related legislation.

The Code of Conduct comprises the following elements:

- Business practices
- Health and safety
- Employee relations
- Human rights
- Nature
- Community

SCA's Code of Conduct is Group-wide and covers all employees. The Code was updated during the year.

### Ethics database is a central tool

The database provided by Sedex (the Supply Ethical Data Exchange) has been central to SCA's internal risk management and Code of Conduct monitoring processes since 2011. SCA and other Sedex members use the database to store, share and report on information pertaining to working conditions, health and safety, the environment and business ethics. By SCA and other manufacturers sharing information with each other, efforts related to workplace inspections and audits are made more efficient, at the same time as transparency increases.

### TARGET

#### Code of Conduct

We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.



### OUTCOME 2013

- SCA's Code of Conduct was updated.
- 91% (87) of employees have received Code of Conduct training.
- Code of Conduct audits were performed in Chile, France, Mexico, Slovakia and Taiwan. Business practice reviews took place in the Czech Republic, Spain and South Korea.

## Extensive development of the Code of Conduct

Since the Code of Conduct was introduced in 2004, external expectations of SCA have changed, and laws and standards have been strengthened. During this time, the Group has also undergone major organizational and geographic changes. To ensure that SCA's guidelines continue to meet external and internal requirements, the Code of Conduct was updated in 2013.

### Stakeholders involved in the Code of Conduct

Work was driven by a group comprising representatives from all business units and from Group-wide functions as well as external partners. The working group conducted a study of international legislation and performed best-practice reviews of Codes of Conduct, which formed the basis for SCA's new Code of Conduct.

In order to account for stakeholder requirements and expectations, SCA involved them in the process. Investors, NGOs (UNICEF and WWF) and union representatives were involved to bring new perspectives. Stakeholder input contributed to greater clarity in relation to the

scope and application of the Code. The Code of Conduct was adopted by SCA's Board in October 2013.

### New elements in the Code

The new Code of Conduct has been clarified with regard to business practices and human rights. A new section has been added, Nature, to underscore the company's environmental responsibility.

SCA's new Code of Conduct also contains references to the United Nations Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles, which were developed by the UN Global Compact, UNICEF and Save the Children. To gain a better understanding of the Children's Rights and Business Principles and to contribute to UNICEF programs, SCA participated in the organization's workshops and a pilot study during the year. The aim of the study was to review and evaluate UNICEF's tools for implementation of the Children's Rights and Business Principles.

The Sedex system includes an extensive self-assessment questionnaire (SAQ) and a risk assessment tool. The tool has been developed by Maplecroft and is based on a balance between risk data at country level and in the relevant industry, and on responses to the SAQ. SCA's facilities perform the self-evaluation in Sedex. The answers are then used in risk classification of the units. In the 2013 Sedex assessment, all of SCA's main facilities received the low to medium risk classification and no facility was classified as high risk.

The Sedex system has enabled us to assess our own operations, and the results help determine a focus for the company's audits and other initiatives that aim to improve conditions at our facilities.

Many customers also request information about SCA's supply chain via the Sedex system and this enables them to compare SCA with other companies in the industry.

In 2013, SCA's recently acquired units began using the Sedex database. Some 68 (54) of SCA's facilities, and all main sites, now use the Sedex system to report information. In addition, three facilities in joint ventures in Tunisia and Algeria began recording their data in Sedex and this implementation will continue in 2014.

#### **Focus on risk management**

SCA conducts thorough inspections of its operations in order to manage and minimize risks before they develop into real problems. SCA's inventory of human rights and corruption risks is based on the assessments carried out by Amnesty, Sedex and Transparency International.

Around 10% (3) of SCA's revenues are generated in countries with a relatively high risk of human rights violations. The increase compared with the previous year is mainly due to Mexico and Russia being reclassified by Maplecroft and being included in this category. Around 20% (23) come from countries with a relatively high risk of corruption.

SCA applies special processes for evaluating and managing social and environmental risks in the company's operations. These risks are also included in SCA's audits in connection with each acquisition.

SCA regularly revises business practices in various parts of the organization. These reviews also contribute to SCA's risk control. Read more about SCA's review of business practices on page 46.

#### **Training strengthens implementation**

SCA's efforts to verify compliance with the Code of Conduct range far beyond the actual policy document. We implement the Code and verify compliance through training, audits and business practice reviews.

Various training courses help everyone at SCA acquire a better understanding of the Code of Conduct and what it means, and how it affects them as individuals. In 2012, SCA launched a training campaign in which all employees were to participate in either online or face-to-face training. In 2013, we placed great emphasis on training of colleagues at our recently acquired units. At year-end, some 91% (87) of employees had undergone training in SCA's Code of Conduct. SCA also launched an anti-corruption policy and training course. Read more on page 46.

SCA's employees also undergo online training in information security.

#### **Audits strengthen control**

Audits are part of SCA's process to monitor the Code of Conduct and are carried out to verify compliance with the Code. The results provide a basis for internal improvements, but they may also be requested by customers.

The facilities to be audited are determined by such factors as the social and environmental risks in the country of operation, whether the facility is a recent acquisition or if there are any indications of non-compliance with SCA's policies.

The content of the audits emanates from SCA's Code of Conduct, while the approach and methods are based on the SA8000 standard. The audits are conducted by cross-disciplinary teams from SCA, and include representatives from the internal audit, HR and sourcing functions. The audits involve a review of documentation, inspection of the facility with a focus on health and safety, and interviews with managers, employees and union representatives. SCA dedicates a great deal of time to interviewing employees, since these conversations are highly relevant to understanding how SCA's policies are perceived and put in practice.

Every audit results in a report and action plan for the audited unit, which are followed up. The results of the audits are reported to SCA's Board via the Audit Committee.

#### *Findings in 2013*

During the year, Code of Conduct audits were conducted in Chile, France, Mexico, Slovakia and Taiwan.

Minor cases of non-compliance were reported at the facility in Chile, including a lack of emergency medical responders. Since the audit was conducted, the facility has contracted on-site doctors and nurses. A recently acquired unit was audited in France. Although minor cases of non-compliance with health and safety regulations were reported, the overall standard of the facility was high. In the Mexican facility, some deviations regarding workplace health and safety and equal treatment regulations were identified. These were addressed by strengthening training and information to employees in regard to SCA's core values and organizational culture. The audit in Slovakia revealed that the number of overtime hours worked by certain employees were extensive but still within the statutory limits. It was deemed that the facility required stronger management of health and safety, which will be addressed. In Taiwan, deficiencies were identified in relation to the procedures for fire safety, noise exceeding the limits and large amounts of overtime for certain employees. Some deficiencies were addressed directly while action plans were prepared for the remainder.

In many cases, only minor deviations are reported, and these can be addressed promptly without any major effort. However, there are also issues that cannot be solved as easily, such as extensive overtime. In such instances, it is recommended that the facilities review their practices and incorporate the targets into their business plans.

#### **Increased focus on business ethics**

During the year, SCA took several important steps toward increasing transparency in the company's operations and in interaction with its business partners and other stakeholders, and to prevent all forms of unethical conduct. High-integrity business practices are both self-evident and central issues for SCA, and will become increasingly significant as the Group grows and external expectations become more stringent.

*New Anti-corruption Policy*

SCA considers free and fair competition to be imperative to long-term success. To confirm this standpoint and align SCA's policies with current legislation such as the UK Bribery Act, SCA adopted a new anti-corruption policy during the year. Anti-corruption is included in SCA's Code of Conduct, and more attention has been directed to the issue by establishing a separate policy. SCA shall conduct all activities in accordance with applicable laws and regulations, and all corrupt activity is strictly prohibited. The policy sets out SCA's position in regard to:

- Gifts, entertainment and hospitality
- Public officials
- Facilitation payments
- Sponsorship
- Charitable contributions and political donations

SCA shall regularly assess the company's corruption risks. This includes due diligence audits of customers, suppliers and other business partners.

*Review of corruption risks*

In connection with development of the Anti-corruption Policy, SCA conducted an assessment of potential corruption risks. The assessment was performed jointly by SCA's internal audit function and a third party. The examination covered in-depth interviews with 30 senior executives. The purpose, in addition to providing an overview of potential corruption-related risks, was to raise awareness of the risks. The next step will be to conduct a gap analysis and present it to SCA's Corporate Senior Management Team. The review and its conclusions will provide a basis for similar and more in-depth analyses in other parts of SCA.

*E-learning to establish policy*

SCA's anti-corruption policy was combined with an extensive training initiative to establish the policy throughout the organization. During the year, about 7,300 employees took part in an e-learning course in anti-corruption. In this first step, SCA employees in sourcing, sales and other functions with extensive external contacts participated in the training.

During 2014, the course will be further developed and the target groups will be broadened.

**Supplementary business practice reviews**

SCA's reviews of the company's business practices are conducted by the internal audit unit. The reviews focus on business ethics and SCA's relationships with customers, suppliers and authorities. During the year, reviews were conducted in the Czech Republic, Spain and South Korea. Since the beginning in 2008, 13 reviews have been performed in as many countries. In the past five years, 66% (69) of SCA's operations in risk countries have been investigated. The countries are selected using Transparency International's corruption index in combination with SCA's sales in the country.

The reviews are based on document studies and interviews with up to 20 managers and the people responsible for sales, purchasing and any other functions considered to be exposed to corruption risk. SCA also uses the reviews to discuss potential problem areas and how they should be addressed. In 2014, we will review how we can develop the working methods.

*Findings in 2013*

The audit in the Czech Republic indicated a good understanding without deviations although management believes that the country's corruption levels exceed Transparency International's ranking. On one occasion, a consultant that worked for the municipality offered to influence the decision makers in a tender process for SCA in return for payment. This behavior was rejected and reported.

Spain was deemed by Transparency International to have a higher risk of corruption in 2013 compared with 2012, but several of SCA's employees who were interviewed considered the risk to actually have decreased as a result of the financial crisis.

In South Korea, SCA's business practices are observed, but many employees lack sufficient knowledge of SCA's Code of Conduct and how the company applies rules regarding conflicts of interest. Training was conducted at the end of 2013.

**Trustworthy reporting channels**

To ensure compliance with, and respect for, SCA's Code of Conduct and other policies and guidelines, effective systems for monitoring, reporting and addressing breaches are required. It is essential that breaches are reported and

that they are handled efficiently and professionally. By managing complaints and solving problems at an early stage, it is also possible to prevent them from escalating.

SCA offers its employees a number of informal channels for reporting violations or breaches of the Code of Conduct, such as their line manager, HR Director, legal counsel or union representatives. There are also formal reporting channels, such as special e-mail addresses for the Code of Conduct and, in certain countries, third-party-operated hot lines that employees can phone anonymously.

In connection with updating the Code of Conduct, SCA also conducted an online survey among employees and HR managers in various countries regarding awareness of, and confidence in, SCA's reporting channels. The survey demonstrated that clearer information and guidelines are required regarding the reporting channels that exist. The procedures for monitoring and providing feedback to the person who made the report should also be strengthened. Opinions from the survey have led to a number of improvement measures for clarifying and simplifying the process for reporting a potential breach. These will be implemented in stages during 2014 when the new Code of Conduct is launched.

**Reported breaches in 2013**

In 2013, there were a total of 21 (14) confirmed cases of Code of Conduct violations. Three of these involved corruption, of which one pertained to a sales representative who requested private sponsorship from a customer in return for products free of charge, while the other two cases concerned sales representatives who breached procurement process rules. One case involved discrimination whereby staff were subjected to sexual harassment by a manager. Two cases of theft and fraud in the form of manipulated expense receipts were also reported. The remaining 15 cases related to such issues as the prohibited use of e-mail addresses and other types of unacceptable behavior in the workplace. SCA took action in conjunction with all cases. Employment contracts were terminated in the case of 13 individuals, seven individuals were given a warning and, in one instance, the employee decided independently to leave the company.



“Médecins Sans Frontières is a medical humanitarian organization that delivers emergency aid based on need. We help people caught in crisis and those affected by armed conflict and natural disasters, irrespective of political, religious or ethnic affiliation. More than 90% of our overall funding globally is from private individuals and companies, which means that we have the freedom to decide for ourselves where our efforts are most needed and are not governed by any other interests. It is also a condition for our inde-

pendence as an organization. When Typhoon Haiyan hit the Philippines in early November last year, Médecins Sans Frontières was one of the first aid organizations to arrive. The donation from SCA was important in enabling us to send about 100 aid workers to provide medical help, food, water and assistance in reopening hospitals. We are continuing our work in the Philippines in 2014 and in more than 70 countries across the world.”



**Katharina Ervanus,**  
Corporate Fundraiser,  
Médecins Sans Frontières, Sweden

# Responsibility throughout the supply chain

In pace with SCA's growth and the corresponding growth in the supplier base, it becomes increasingly important to choose responsible business partners. We monitor risks and opportunities, prioritize investments and develop suppliers' social and environmental performance.

## Extensive base of suppliers

SCA's objectives for responsible sourcing will be used to drive shared values and priorities throughout the supply chain.

All in all, SCA has several thousand suppliers of goods and services. The Group has identified a supplier base consisting of global and strategically important suppliers. This applies primarily to raw material suppliers, but also to suppliers of critical services, such as marketing, IT and travel, which together correspond to two-thirds of the Group's total purchasing costs. The remainder includes local suppliers. SCA is also reviewing how it can include local suppliers in the target.

At year-end, 75% (73) of the hygiene operations' 496 (387) global suppliers had signed the SCA Supplier Standard. Of forest products' 25 (20) largest suppliers, 60% (40) had signed the Supplier Standard.

## Supply chain management

The Group works and assigns priority in three distinct steps with respect to requirements and follow-up in SCA's supply chain:

- 1. Global Supplier Standard:** All global suppliers to the hygiene and forest products operations undertake to comply with SCA policies by signing the Group's Global Supplier Standard (GSS).
- 2. Sedex database:** SCA's strategically important suppliers, from which substantial purchases are made and/or which are located in high-risk countries, are registered in Sedex.
- 3. Audits:** Suppliers located in high-risk countries are checked through sustainability audits.

## Global Supplier Standard

SCA has applied a Global Supplier Standard for many years. In 2011, the standard was updated, including a reinforcement of the sustainability criteria. The standard includes requirements governing quality, product safety, the environment, energy and chemicals. SCA's Code of Conduct is also included, meaning application of the same requirements for social responsibility as for the Group's own operations.

The hygiene and forest products operations each apply individual versions of the Supplier Standard. The basic principles are identical, but certain differences exist due to the differing nature of the operations' supply chains.

Approximately 45% of the hygiene operations' global suppliers are located in Europe, 36% in the US and 19% in the Asia.

SCA is Europe's largest private forest owner and about 50% of wood raw materials used in the forest products operations are sourced from the Group's forests. The remainder is sourced from suppliers, the majority of which are located in Sweden. We endeavor to further incorporate procurement processes and decisions with compliance in line with the requirements pursuant to the SCA Supplier Standard.

## Control of forest contractors

SCA's forest operations almost exclusively use contractors for forestry and harvesting activities. SCA signs agreements with forest contractors, whereby the contractors undertake to comply with applicable laws and regulations, including collective agreements and SCA's Supplier Standard. In recent years, SCA has markedly strengthened the requirements imposed on contractors. Among other stipulations, the following are included in the agreement:

- The contractor must be a member of an employers' organization or have a local collective agreement in place with GS-facket (the Swedish union of forestry, wood and graphical workers).
- The contractor must adhere to the rules under the forest worker agreement relating to work environment, working hours and pay.
- The contractor must comply with the guidelines relating to employees' rights as stipulated in the FSC® and PEFC™ forest standards.
- The contractor must practice a systematic health and safety program and have carried out at least one follow up during the past year.

SCA has also developed and simplified the assessment methods for health and safety and employment terms.

## 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.



### OUTCOME 2013

- 75% (73) of the global hygiene supplier base had signed the SCA Supplier Standard.
- 60% (40) of forest products' supplier base had signed the SCA Supplier Standard.
- 70% (33) of the hygiene operations' global supplier base reported performance through Sedex.

### Enhanced follow up of forest contractors

SCA follows up compliance with the above standards together with its contractors. In addition, field spot checks are performed by both GS-facket and SCA.

At the start of the year, a forest contractor engaged by SCA was investigated by the media. Criticism included incorrect remuneration and breaches of employment terms for non-Swedish seasonal workers. SCA no longer engages the contractor and has acted so that the affected planters will receive the compensation to which they are entitled.

In summer 2013, SCA carried out extensive checks of all forest contractors engaged during the current season. All work teams with non-Swedish labor were visited – a total of 75 checks of 356 individuals from 31 countries. The visits have in part entailed inspections of working and living conditions and talks with the workers to provide information on requirements and rights. In the event of deficiencies, SCA and GS-facket help the contractors address the problems.

### Reporting in Sedex

SCA's strategically important suppliers, from which substantial purchases are made by the Group and/or which are located in high-risk countries, are registered in Sedex. This is where the Group takes into account geopolitical, social, ethical and sustainability-related risks.

At the end of 2013, 70% of the approximately 400 global suppliers to the hygiene operations that were relevant for Sedex registration had reported their details in the database.

In 2013, the forest products operations identified 50 suppliers for reporting in Sedex. The implementation of Sedex reporting is currently ongoing for these suppliers.

### Role of audits in follow-up

Suppliers located in high-risk countries are checked through audits. SCA uses Sedex and Maplecroft's risk classification to identify these suppliers. The goal is for all global suppliers in high-risk areas to be audited before the end of 2015.

The Group evaluates potential suppliers prior to contracting and continues to review suppliers at regular intervals. Sustainability aspects account for more than 20% of SCA's quality assurance prior to new partnerships.

SCA also conducts quality audits and audits of fiber suppliers.

### More audits with new method

From this year forward, to reach the goal of auditing all high-risk suppliers, SCA is engaging an external partner, SGS, to perform the audits. SGS is a global company based in Switzerland that works with inspections, verifications, tests and certification. During the year, SGS carried out about 60 supplier audits on SCA's behalf, primarily in China and Mexico but also in India, Russia and Turkey. The method and tools applied are identical to those used for evaluation of SCA's own units. They are based on SCA's Code of Conduct and the SA8000 standard and have been developed by SCA in partnership with SGS.

The audits reported generally satisfactory results. The deviations identified in China pertained to overtime and safety aspects, such as personal protective gear and fire irregularities. In Mexico, we found cases of incorrect chemical storage and fire protection and evacuation irregularities. SCA's global purchasing function looks at the results and takes them into account when performing regular supplier evaluations. The

suppliers receive feedback in connection with the audit and when SCA's purchasers determine whether to continue the collaboration. In cases where the audits result in an action plan, SCA works together with the suppliers and helps them resolve any deficiencies. In addition, SCA asks for and appreciates suppliers' viewpoints about the Group since SCA's actions often affect the ability of suppliers to comply with its requirements and expectations.

No agreements with global suppliers were terminated on grounds of non-compliance in 2013.

### Cotton

Certain hygiene products in operations acquired by SCA from Georgia-Pacific in 2012 contain by-products from the cotton industry. The volumes involved are exceedingly small but, since cotton agriculture, particularly in some regions, is associated with social risks, a review of all of these procurements was initiated.

SCA turns to wholesalers for purchasing waste fiber from the manufacture of cotton oil and from spinning mills. To increase control and reduce risk, we will challenge our business partners to undertake to comply with our Supplier Standard and to assume responsibility for their suppliers' compliance with the standard. In addition, we will perform audits of spinning mills and refer wholesalers to selected spinning mills for procurement.

# Prioritized health and safety activities

SCA has long prioritized health and safety and pursues a zero-accident vision in the workplace.

## Targeted safety work

No one should have to put their health at risk at work. SCA's safety initiatives address the physical work environment and promote a culture in which safety permeates all activities.

SCA's aim is zero workplace accidents. One target along the way to achieving this goal is to reduce the accident frequency rate by 25% between 2011 and 2016. This means that the accident frequency rate in 2016 may not exceed 6.9%.

## Policy and governance for enhanced safety

SCA has a Group Health and Safety Policy and SCA's governance system encompasses risk assessment, training, targets and monitoring in the safety sphere. Health and safety committees have also been established in the Group on which representatives of some 95% (95) of the workforce serve. In addition, 67% (63) of employees are covered by formal trade union agreements in which health and safety issues are addressed on a regular basis. Finally, a reference team has been in place since 2009 with responsibility for coordinating Group health and safety matters.

Each SCA facility has procedures in place to increase workplace safety. These procedures aim to identify, address and reduce risks. It is equally important to encourage employees to always put safety first.

## Certified management system

SCA implements the international OHSAS 18001 standard to ensure that uniform processes are deployed across the Group, and that it continues to move in the direction of improved workplace health and safety. The aim is that all main sites will receive OHSAS accreditation by 2016 at the latest. At the end of 2013, 45% (30) of SCA's 67 main sites were certified.

OHSAS (Occupational Health and Safety Assessment Series) specifies requirements for an organization's occupational health and safety management system. The standard promotes the deployment of a systematic approach and continuous improvement of the work environment.

## Progress in relation to safety

In recent years, SCA has worked intensively to systematize and improve its safety work. This work is reflected in the statistics where all

key figures indicate positive improvements compared with the previous year.

SCA uses the following Group-wide key performance indicators:

- Number of Lost Time Accidents (LTA): accidents that result in an employee missing the next regularly scheduled work day or shift. There were 504 (536) LTAs.
- Days Lost due to Accidents (DLA): number of work days lost due to an LTA. The DLA figure was 8,143 (8,958).
- Accident Severity Rate (ASR): The DLA in relation to LTA. The accidents during the year were less severe than in the previous year; the ASR was 16.2 compared with 16.7 in 2012.
- Frequency Rate (FR): LTA in relation to million hours worked. The FR figure was 8.4 (9.7).
- Fatalities. No fatalities were reported in 2013.

For the first year, contractors were included in the statistics and 57 accidents (n.a.) were reported among this group.

Many acquired facilities do not maintain the same standard as existing SCA units, which is also clear from the diagram on page 51. Our efforts are therefore targeted at strengthening the health and safety work at these facilities. For example, work aimed at reducing the accident frequency rate continued at the Brazilian unit acquired by SCA in autumn 2011. The facility, which has about 400 employees, has adapted its occupational health and safety practices to the SCA Group standard, which has resulted in significant improvements. In 2013, eight accidents occurred compared with 42 in 2012, meaning a reduction of 81%.

## Improved conditions with safer machines

Safe machines and tools at all facilities are an essential part of creating a safe work environment. SCA works to continuously develop its management of existing and new machines to improve the conditions necessary to ensure a safe work environment. The Group's incident reporting system has significantly facilitated these efforts.

SCA always aims to remain one step ahead – the preference is to investigate the risk, not the incident. Proactive assessments of machine safety are performed as part of the Group's Hygiene Manufacturing Excellence program

## TARGET

### Employee Health and Safety

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

OHSAS 18001 will be implemented at all main sites by 2016.

## OUTCOME 2013

The accident frequency rate was 8.4 (9.7) per 1,000,000 working hours, representing a 9% decline compared with the reference year of 2011.

By the end of 2013, 45% (30) of SCA's 67 main sites were certified according to OHSAS 18001.



## Safety statistics

	2013
Lost Time Accidents (LTA)	504
Days Lost due to Accidents (DLA)	8,143
Accident Severity Rate (ASR)	16.2
Frequency Rate (FR)	8.4
Incident Rate (IR)	1.7
Fatalities	0

More safety statistics on page 63.

(HMEx). The HMEx team reviews various situations and risks associated with normal operations and scheduled maintenance, or in the event of various outages. These assessments contribute to reducing the number of accidents and we noted significant progress in China and Malaysia, among other countries.

In 2013, SCA initiated involvement in the development of new machinery. Manufacturers can develop better and safer machines by gaining access to the breadth of experience and the suggestions of SCA employees, resulting in a win-win situation for all involved.

**Safety is ultimately all about people**

Although reliable machines are fundamental to safety in the workplace, they are far from sufficient. No design can eliminate all risks – safety is ultimately all about people, attitudes and behavior.

This is why SCA places great importance on behavior-based safety training. The objective is to demonstrate the value of safe procedures and how workplace accidents can be prevented. The same safety standards apply to all SCA facilities, but it is up to the individual unit to ensure implementation in a manner that is relevant to the conditions prevailing at the particular site.

The current practice is to involve more employees in risk assessments and investigations of close calls and accidents. Analyses are

improved by gathering input from supervisors, machine operators and maintenance personnel. SCA is also intensifying its efforts to ensure that new knowledge is disseminated to other colleagues. These enhanced practices not only yield benefits from the perspective of safety, they can also boost technology development and productivity.

Lastly, SCA is convinced of the value of best practice. Everyone should strive to be a good example – and this not only applies to formal managers, but also to each and every employee at SCA. There is an individual responsibility and a responsibility to each other. This approach has been realized in, for example, the Beware of Safety (BOS) program, which is part of HMEx. The program is based on observing personal behavior and the behavior of colleagues, providing constructive feedback and encouraging improvements.

**Traffic safety initiative**

Forklifts are often involved in the accidents that occur at SCA’s production facilities. In 2013, the Group initiated a new program to increase traffic safety at its sites. The majority of accidents occur when loading and unloading, and when reversing forklifts. Pedestrians are often involved.

**Close-call reporting key aspect of safety work**

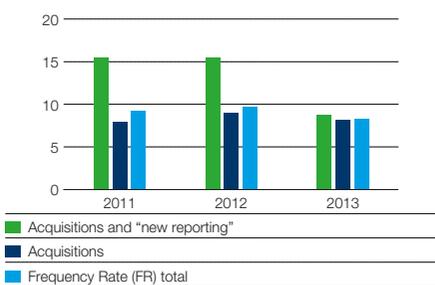
Reliable close-call and accident reporting comprises a key aspect of safety work. It is vital to analyze both serious and less serious occurrences to ensure that they are not repeated.

SCA has had a reporting system for accidents and close-calls in place for several years. It allows each employee to report accidents and close calls, meaning events that could have led to an accident. It has provided SCA with a significantly improved basis on which it can perform risk assessments, analyze and improve working methods and continuously monitor performance.

In the event of a critical incident, the information is communicated to the entire Group, enabling all units to view the recommendations and learn from the occurrence. Another part of the procedures of the units is to pull data from the reporting system on a weekly basis so that safety can be addressed at staff meetings. The system also allows for best practices to be disseminated throughout the Group.

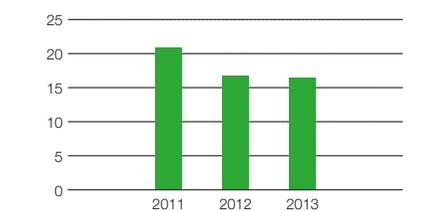
Since the introduction of the system, it has been noted that, to all appearances, many LTAs are the result of trivial causes. For example, the reason may have been slips, trips and falls of a less serious nature, which should be preventable. It was also observed that some units need to increase focus on manual work and ergonomics.

**Accident Frequency Rate (FR)**



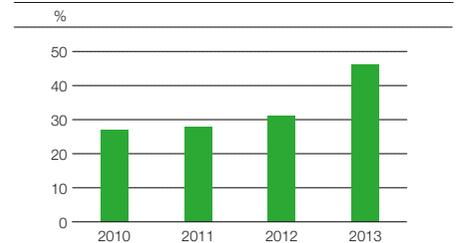
The accident frequency rate declined sharply in 2013. The diagram shows that the safety level at acquired units is often lower than at SCA, but that once they have been incorporated into the Group, a significant improvement is noted. "New reporting" relates to the facilities included in 2013, primarily joint ventures in the Middle East and Africa.

**Accident Severity Rate (ASR)**



All health and safety indicators demonstrated an improvement in 2013, as was also the case for the accident severity rate.

**OHSAS 18001-certified sites**



SCA is well on its way to achieving its target of certifying 100% of its main sites under OHSAS 18001. Ten sites were certified during the year.

### Healthy workplaces

SCA also works preventively with the employees' health and well-being. Each business unit is responsible for formulating a structure for fitness that suits their own operations. SCA's efforts for better health encompass many different measures: better ergonomics, quit-smoking campaigns, dietary training, support in work-life balance as well as advice in handling difficult illnesses are a few examples. In 18 countries, SCA offers treatment programs for alcohol abuse where the majority of the programs include support for the employee's family.

Since 2008, SCA's North American operation has had a health program that includes encouraging a healthy lifestyle and regular, voluntary health check-ups as well as early identification of health risks. The European hygiene operations prioritize efforts for improving the employees' lifestyle and health, particularly when older employees are concerned. The goal is good health, fewer sick days and higher productivity.

Many SCA units focus on health and well-being through various activities and campaigns. TENA sponsored La Parisienne, France's largest running event after the marathon in Paris, to show that incontinence does not have to be an obstacle to physical activity. The run attracted nearly 30,000 participants, including a team from TENA. Around 80 employees and family members in Drummondville, Canada, partici-

pated in a local running event after having trained together for eight weeks. The facility in Veniov, Russia, held a sports day to celebrate the Olympics in Sochi. The employees competed in events such as the 100-meter dash, shooting and weightlifting.

### Fines for work environment infractions

In early 2013, a Swedish District Court ordered SCA to pay a fine of SEK 1.5m for a breach of the Swedish Work Environment Act. The reason was a fatal accident that took place in 2009 at the Lilla Edet paper mill in which an employee was fatally injured in a crushing accident involving a paper machine. On account of the accident, SCA has modified all of its machines of a similar model at the Group's various facilities and informed other companies of the accident risk. Each accident is taken very seriously at SCA and the company does everything in its power to prevent tragedies such as the one at Lilla Edet.

SCA was also ordered to pay a fine of SEK 150,000 in conjunction with a falling accident at the Ortvik paper mill in Sweden in 2011. The employee suffered a fracture and was unable to work for two months. After the accident, SCA conducted an extensive risk assessment and built in measures to prevent a similar accident, which at the same time led to a more effective way of handling that aspect of the work.

### Joint industry action

The health and safety risks inherent in the pulp and paper industry often differ and are more serious than those in the engineering industry. For this reason, SCA's forestry operations are participating in several industry collaboration projects to promote increased safety.

A working group focusing on occupational health and safety has been formed within the Swedish Forest Industries Federation. The objective is to support the safety programs of member companies by offering various resources for raising awareness and sharing knowledge.

Another valuable contribution is being made by the SSG (Standard Solutions Group) safety committee, through which companies active in the pulp industry come together to learn from one another. SSG sets technical standards and recommendations and provides information and advice.

## Extensive progress in health and safety

Many facilities reported positive work environment results. Here are a few examples:

**Manchester:** The mill in Manchester in the UK celebrated five years without an LTA. Improved governance and many efforts to eliminate dangerous work elements and behaviors are among efforts that have yielded results.

**Shah Alam, Veniov, Mannheim:** The employees at the production facilities in Shah Alam, Malaysia, and Veniov, Russia, and at the mill in Mannheim, Germany, have all worked one million hours without an LTA.

In Mannheim, the BOS program had a particularly large impact on employee attitudes and behavior, and with that the accident statistics. In Uruapan, Mexico, the milestone of 500,000 hours without an accident was celebrated.

**Santiago:** The mill in Santiago, Chile celebrated 100 safe working days. One year ago, Chile's accident frequency rate was significantly higher than the average at SCA, and in 2013, the mill succeeded in reducing the number of accidents by more than 54%. Group-wide tools have contributed to the positive development.

**Altopascio:** For the second consecutive year, the mill in Altopascio was awarded the Italian pulp and paper industry's prize Obiettivo Zero (Goal Zero). The BOS program was also named as having made a major difference to safety at the mill in Altopascio.



"I had recently given birth to my daughter Nienke and, soon after, became pregnant again with my second daughter Femke. It meant that my pelvic floor and stomach muscles were weakened, which in turn led to urinary incontinence when I sneezed or made a quick movement. I started taking a plastic bag with me and extra panty liners, and I always had clean underwear with me in case of an accident.

I don't have to do that anymore since I started using TENA. With TENA I can work all day without even thinking about incontinence. I am actually starting to think about jogging again, which used to be difficult for me since I had to stop every 400 meters for a toilet break. I have never let my incontinence stop me from doing what I want, and using TENA I feel that I have much more freedom, which is a relief."



**Heidi Stienstra**, hospital employee, the Netherlands

Source: Margriet

# Employees – SCA’s resource and future

Employees are SCA’s most important resource – the Group depends on motivated, competent and high-performing employees for its success. Based on the business targets, SCA has the ambition of developing all employees to achieve their full potential.

SCA comprises 34,004 (33,775) employees in some 60 countries, of whom 28% (29) are women and 72% (71) are men. The employee turnover rate is 15% (12), which is low for the industry.

SCA’s global expansion is continuing in parallel with a realignment of the Group’s recruitment base and workforce composition. In some countries, the working-age population is declining, while the challenge in other regions is ensuring the right competence for SCA. The Group has implemented extensive programs to ensure that it has the right person in the right position.

### Success requires diversity

At SCA, diversity is central to the Group’s success, enabling it to attract the most competent individuals, stimulate continued innovation and meet the needs of various markets, customers and consumers. For SCA, diversity extends beyond the typical attributes, such as gender and ethnicity – we value a mix of diverse personalities, experiences and knowledge. SCA’s Code of Conduct states that each employee is to be treated with respect and be given the opportunity for personal and professional development. This applies irrespective of gender, civil status, ethnicity or national origins, sexual orientation, political or religious beliefs, age, disability or other personal characteristics.

Since the consumers of SCA’s products are 80% women, the company strives for a higher proportion of women in management positions. In 2013, the proportion of women among SCA’s senior management (150 top managers) was 24% (23) and 25% (29) among senior/middle management (top 1,000 managers). The total

percentage of women as managers at SCA amounted to 24% (29).

Senior management comprised 18 (23) different nationalities and the corresponding figure was 41 (39) for senior/middle management. Encouraging greater diversity is also part of SCA’s leadership platform and succession planning.

### Investment in the employer brand

SCA’s recruitment policy is based on having the right person for the right position at the right time and at the right cost. To realize this strategy, SCA works intensively with employer branding. The project was initiated by conducting thorough research into the needs and requirements of potential employees and SCA’s recruitment criteria.

### Inspiring careers at SCA

During the year, a definition of what distinguishes SCA was established and a study was conducted into how a true and fair view of what it is like to work in the Group could be conveyed. SCA wants potential employees to recognize the qualities that existing colleagues appreciate, namely, that SCA is an innovative company that recognizes and values all the qualities of individuals, and a company that prioritizes sustainability.

The result of the above was “Life Inspiring Careers”, a shared platform for marketing SCA as an attractive employer, both locally and globally. The efforts are starting to yield results – during the year, SCA in Germany was named the best employer by the Top Employers Institute, and SCA in Greece was among the top companies in the ranking compiled by Great Place To Work.

### Close collaboration with universities

During the year, SCA initiated partnerships with selected universities and institutes of technol-

ogy in the US, France, Spain, Germany, Russia and China. The faculties were approached to jointly identify innovative forms of collaboration. The benefits of these partnerships include the ability for SCA to contact students directly, for example through e-mail campaigns and links on the universities’ intranets.

At present, a schedule for internships and recent graduates is under development. Both programs will be based on the students’ expectations and the universities’ needs, and SCA will be given the opportunity to market them at its partner universities. SCA will principally recruit students from the selected universities.

### New model for leadership development

During the year, work continued on SCA’s formal leadership development. The result is a structured model for the entire Group, adapted to its specific circumstances.

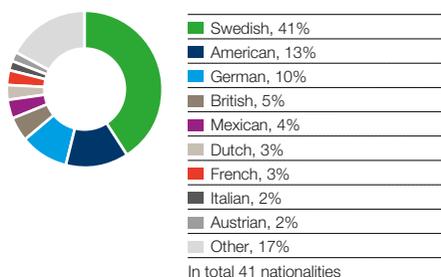
SCA’s leadership platform, which defines the desired skills and behavior, serves as the foundation for the leadership platform. Training is carried out on the basis of specific needs rather than general requirements. We also believe in the importance of cross-border learning, and therefore see the benefit of mixing participants from different countries, functions and organizational levels. All training has a clear link to SCA’s daily activities, and involves real-life strategies, cases and assignments.

### Needs-driven leadership program

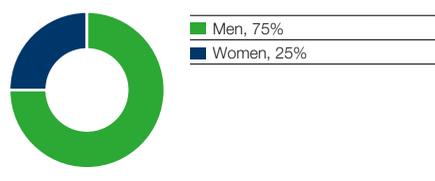
SCA’s leadership program is grouped into three different needs categories. The first category includes Leadership@SCA, which is mandatory for all new managers. It is a one-day training course and the focus is on SCA’s strategies, processes and tools, as well as the expectations placed on leaders. Participants are also provided with general training in the leadership sphere. About 200 new managers completed the course during the year.

The second category includes a six-day training course aimed at individuals who have been a manager for 6–12 months. About 50

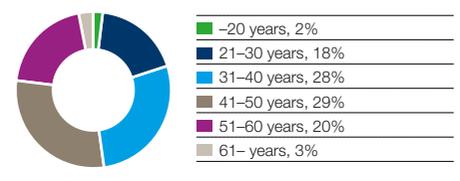
SCA’s senior and middle management by nationality 2013



SCA’s senior and middle management by gender 2013



Employee age distribution SCA Group 2013



managers completed this program in 2013. Both programs were developed during the year.

An additional program will be developed in 2014 for the purpose of enhancing the capabilities of senior managers at SCA.

### Result-focused employee dialog

In 2011, a system for performance review and development planning was introduced, the Global Performance Management System (GPS). The objective is to follow up the performance of every employee twice a year.

In 2013, efforts were made to make the consultation processes more constructive and result-focused. In each meeting, the employee's established targets, leadership qualities, functional competence and SCA's values are discussed and evaluated. As part of the performance management review, the manager and employee agree on a development plan for the future. During the year, 70% (78) of employees participated in performance management reviews. Many of the acquired units are in the process of implementing SCA's performance management review system.

### Tools for professional development

SCA and the company's leaders provide tools that enable each employee to assume responsibility for their own development and performance. All professional development at SCA has its starting point in SCA's business goals, and harmonizes the individual's ambitions with the Group's expectations. Each individual is encouraged to develop the skills required for current and future positions.

Much of the personal development is based on the Global Performance Management System (GPS) and individual development plans and goals prepared during performance management reviews. The reviews identify the skills and abilities necessary for employees to achieve the stated targets and whether the individual needs to develop in some area. The employees and managers agree on the manner in which these skills should be secured, primarily through internal development opportunities. In 2013, the average number of training hours per employee was 20 (17).

Employees	
	Total
Number of employees	34,004
Part-time employees	1,091
Employees leaving the company	5,143
<b>Employee turnover</b>	<b>15%</b>

In conclusion, the Group conducted a review of the skills necessary for various functions and roles, and thus the need for professional development.

### Survey confirms strong culture

SCA carries out an employee survey every second year. The latest survey was conducted in 2013, and was responded to by 25,628 (31,569) employees at wholly owned companies, which corresponds to a total of 86.3% (81.8) of the workforce.

The surveys cover a total of 47 aspects in nine dimensions. The results are expressed as an index for leadership, innovation, customer orientation and engagement, as well as an overall index.

With one exception, all indexes increased slightly from already high levels in the previous survey. The exception was the engagement index, which changed from 81 to 80 (where 100 was max), still a high level and one that we are satisfied with. SCA's leaders received positive assessments and leadership will continue to be prioritized given its importance to the company's relations and results. Communications and feedback between managers and employees are areas in need of development.

The overall index was at 70 (69). In general, SCA views the results as confirming the strength of its corporate culture, since the last few years' extensive reorganizations have not degraded results. All managers will prepare action plans together with their employees based on the outcome of the employee survey.

### Transparent communication builds trust

Transparent communication is fundamental to the trust between SCA and employees, and their representatives. Employees are encouraged to raise issues relating to employment and health and safety with their line manager. SCA recognizes the right of all employees to join unions and to partake in union activities. Union involvement varies among SCA's countries of operation, but on average 67% (65) of SCA's employees are covered by collective agreements.

### Dialog with union representatives

The European Works Council (EWC) represents about 20,000 of SCA's employees. SCA meets the EWC and other employee representatives on a regular basis to inform them of and discuss matters that concern, for example, the Group's performance and earnings, as well as health and safety and employment terms and conditions. The aim is to communicate changes well ahead of time. During the year, a great deal of time and energy was spent on drafting a new framework agreement with the EWC covering the entire SCA Group, meaning including the acquired Georgia-Pacific operations.

In the latter part of the year, SCA signed a new agreement with IndustriALL Global Union. IndustriALL represents 50 million employees in 140 countries in the mining, energy and manufacturing sectors. It was formed in June 2012, combining several union organizations, including the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), which previously represented SCA employees. The content of the new agreement largely coincides with the previous arrangement with ICEM, although there are now clearer references to ILO conventions. The Swedish Paper Workers Union is also encompassed by the agreement with EWC and IndustriALL.

### Alternative forms of dialog

In parallel with SCA's expansion, the Group encounters new circumstances and challenges, even in relation to dialog with employees. When there is no union representation, SCA establishes other channels where possible, such as workers councils.

In companies where SCA is not the sole or majority owner, efforts are made to exert an influence through the Board. The aim is to ensure that these companies also apply the principles of SCA's Code of Conduct and thus respect each employee's entitlement to freedom of association. The Group's approach has proven successful in, for example, its joint ventures in Turkey and Colombia.

### Extensive organizational change

The Group has undergone extensive change as part of the strategy to grow the hygiene business at SCA. During the year, we addressed several changes stemming from transactions implemented earlier, principally the acquisition of Georgia-Pacific's European tissue operation. As a result of the Georgia-Pacific transaction, units in Norway and the UK were divested, affecting some 560 individuals, and plants were closed in Greece, Spain and the UK, entailing that about 210 employees left SCA. Furthermore, one plant and two sawmills were closed in Sweden, resulting in just over 140 lay-offs.

The notice period in connection with organizational changes in the Group varies, but averages about six weeks. In connection with organizational changes, SCA works to support the employees affected. This is done through discussions with labor unions at an early stage and by preparing a social action plan that is adjusted to local conditions. The action plan normally includes help seeking employment and/or education. Other tools are severance pay, early retirement and financial incentives for those who find new jobs before the end of the period of notice. The support services can be comprised of individual career counseling or administrative support.

# SCA invests in society

SCA strives to be a responsible and respected member of the communities in which it conducts business. This is done through our offering and way of doing business, and by getting involved and investing in social, environmental and economic prosperity.

SCA's desire is to strengthen the relationships to the communities in which the Group operates, and to make a real difference in people's lives. In accordance with SCA's guidelines for community involvement, the company prioritizes initiatives with a clear link to SCA's values, expertise, operations and geographic presence. This means that many of SCA's efforts are within hygiene and health, and are often directed at women and children. Among SCA's initiatives are both large-scale investments and small projects with a local focus. SCA's community involvement makes the employees proud of their company and strengthens the customers' loyalty and the SCA brand. Community involvement thereby provides business value.

### SCA's expertise makes a difference

SCA's desire to make a difference based on its expertise and business areas is also evident in the Group's sustainability targets. One of them is that SCA will share its knowledge of hygiene and provide access to affordable and sustainable hygiene solutions that contribute to a healthy and dignified life. Consequently, many of the Group's initiatives are based on working for improved hygiene and health. This includes providing information in hygiene issues and educating girls, women and caregivers.

In 2013, SCA invested around SEK 34m (45) in local projects, which corresponds to 0.3% of operating profit. Around 370 projects were registered in the company's web-based collection tool. Most of the projects were related to hygiene and health.

### Clean children are healthier children

Something as basic as washing one's hands properly can prevent infections. Unfortunately, far from everyone knows how this should be done correctly, or do not have the possibility of

doing so. Addressing school children is an effective way to promote good hand hygiene.

During the year, we launched "Ella's hand washing adventure," an app made for tablets, globally. The Ella app contains games and lessons that teach children aged 2-6 when, how and why they should wash their hands.

Improved hand hygiene can prevent the spread of viruses at preschools and contribute to lower sickness absences for the whole family. SCA also has programs for hand hygiene in schools in Russia, Latin America, Germany, Austria and Switzerland, to name a few.



In cooperation with the Red Cross, SCA distributed 100,000 hygiene kits to homeless people in France.

### Zewa spreads joy at children's homes

One out of 100 children in Russia lives in a children's home, which is why the tissue brand Zewa considers it to be important to invest in these children in particular. During the year, 44 playgrounds were built at children's homes within the scope of the initiative, "Give children a touch of care." The customers also contributed - RUB 1 per sold package of Zewa went to the project. More than 6,000 children will be able to enjoy the new playgrounds.

### Better hygiene among the homeless

We want our knowledge about hygiene and our hygiene solutions to benefit as many people as possible. Through the cooperation that the Red Cross and SCA in France initiated in 2011, we reach out to people who live in homelessness. Hygiene is crucial to the health, pride and possibility of the homeless to build social relationships.

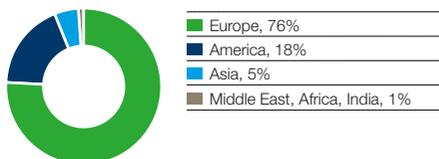
Following a positive response in a survey where both the homeless and volunteers from the Red Cross participated, SCA decided to expand the initiative. During the year, SCA

handed out 100,000 hygiene kits in France, compared with 40,000 the year before. The hygiene kits contain articles such as toothbrushes, tooth paste and razors, and the Red Cross manages distribution. Every kit contains a brochure with hygiene information and contact information to healthcare centers.

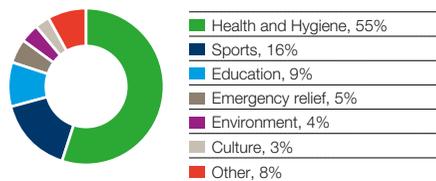
SCA's employees were also involved in the effort for people who live with homelessness



### Community relations by region



### Community relations by focus areas



and 2,700 employees in France donated more than EUR 10,000 and 600 kilograms of clothes and toys. SCA donated EUR 10 for every kilogram of clothes and EUR 2 per EUR 1 from the employees.

#### Education builds young people's self-esteem

SCA conducts a number of educational projects for children and young people around the world. At the end of the year, the French SCA feminine care brand Nana and the French Red Cross EVRAS launched an educational program directed at teenagers. The program offers the possibility of discussing and better understanding sensitive issues, such as emotions, relationships and sexual health. The goal is to promote self-esteem, openness and healthy choices among young people.

In Mexico, SCA's brand for sanitary pads, Saba, conducted a school program directed at girls between the ages of 11 and 15. They received information regarding the physical and emotional changes that take place in puberty and answers to their questions. Similar programs are continuously conducted in countries such as Bolivia, Chile, Ecuador, Peru, Malaysia and Russia under the brands Nosotras, Don-nasept and Libresse.

In the US and Canada, SCA awards a scholarship to the children of employees every year for university studies. In 2013, USD 62,000 was awarded to 42 students who were selected by

an independent organization, Scholarship Management Services, based on study results, leadership and participation in school and social activities. Since 2008, a total of USD 250,000 has been awarded as scholarships.

#### SCA wants to break taboos

SCA works actively to break taboos regarding incontinence and wants to show that incontinence problems are not an obstacle to living a full and active life. SCA supports the Global Forum on Incontinence, a conference that gathers researchers, care providers and politicians and forms a platform for debate and education about incontinence.

For the seventh consecutive year, SCA in Mexico arranged the TENA Run Walk, a run where SCA wants to show that age and incontinence or other limitations are not an obstacle to physical activity and social interaction. The TENA Run Walk involved more than 10,000 people of all ages and around 5,000 spectators cheered on an equal number of people who ran and walked in the event.

#### A helping hand in disasters

As a good citizen of society, SCA tries to help by providing products or donations when disasters occur around the world. When Typhoon Haiyan struck the Philippines, SCA donated SEK 200,000 to Médecins Sans Frontières, provided hygiene products and employees contributed money.



The TENA Run Walk in Mexico attracted 10,000 people to manifest against the taboo surrounding incontinence.

In connection with the Ya'an earthquake in China, SCA donated hygiene products worth RMB 800,000 and the employees collected RMB 140,000, which was matched by SCA.

#### Forest for a better environment

As Europe's largest private forest owner, SCA is well aware of the forest's significance to the environment and climate, as well as the local environment and as a source of recreation. Through the Tree Pool program, SCA's employees can plant trees where they live and thereby contribute a little bit of nature to their communities. SCA also contributes to preventing the spread of the desert in Inner Mongolia by donating and planting trees through the local Million Tree initiative.

#### Three Trees

Velvet, one of SCA's tissue brands in the UK, cooperates with Amata, a Brazilian company active in sustainable forest management. The joint goal is to replant forest in areas afflicted by deforestation.

By the end of 2013, 5 million seedlings of domestic tree species had been planted within the scope of the Three Trees promise. An additional 15 million existing trees, in the nature reserve on Amata's forest lands, are being protected as a consequence of the Three Trees promise.

## A special workplace

The washing glove JoyinCare, which is used in healthcare, is made at the small factory SCA Assen in the Netherlands. But it is much more than a successful product that makes this a special workplace. The 21 employees at the plant were trained in labor market programs for those with special needs.

Jan Duin is the assistant machine operator and a much appreciated employee who is proud of his work.

"These machines are the heart of the factory. If I don't make sure they are running, the others might as well go home," he says.

An accident led to Jan Duin having chronic health problems. Yet, he has not called in sick one single day since he was hired in 2010. The company is an extra family for him.



# 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.

## Sustainability governance

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 Group Function 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. Apart from the environmental and social aspects, the function 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 Environmental Committee and the Social Responsibility Committee draft proposals for policies and principles for governing the sustainability work, in addition to objectives and action programs 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 units and representatives of Group Functions Sustainability, Human Resources, Communications and Legal.

The Code of Conduct Council consists of SCA's SVP HR, SVP Sustainability, General Counsel, EVP Hygiene operations and President Forest Products. The Code of Conduct Council oversees the implementation and alignment of SCA's Code of Conduct.

Responsibility for implementation rests with the operational organization. A number of networks 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.

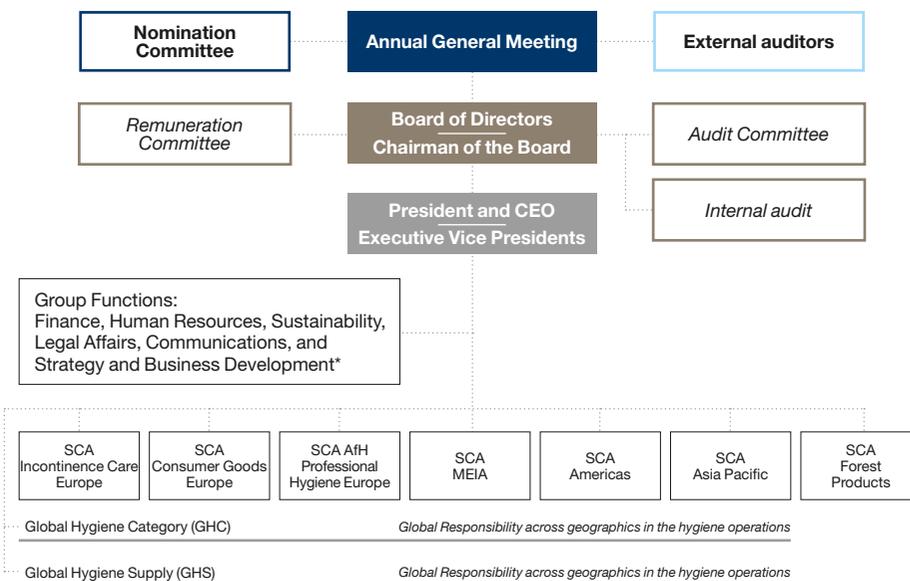
## SCA Group networks

**Water management network:** The network analyzes 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 organization, 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.

## Corporate Governance at SCA



\* The Strategy and Business Development corporate staff function is also responsible for Global Business Services (GBS) and IT Services. GBS has global responsibility for providing transactional services, human resources support, office-related services and other services for all units in SCA.

**ESAVE network:** Coordinates the Group’s 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.

**Public Affairs network:** Leads and coordinates the work aimed at influencing legislation and stakeholders in prioritized areas that can positively or negatively impact the operation.

**Health and safety network:** Proposes goals and activities, follows up initiatives and highlights health and safety best practices.

**GRI network:** Responsible for ensuring that the Group reports in line with Global Reporting Initiative guidelines.

**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 organization 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. 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.

**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 targets is presented on pages 60–65 in the 2013 Annual Report, 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 2013 Annual Report.

**SCA’s sustainability governance**



# The Resource Management System, 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 analyze data, describing how the company uses energy, water, transport and raw materials, and to monitor waste and emissions 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 five new personal care plants. Three tissues mills were divested or closed and have been excluded from the RMS data. The tissue sites acquired from Georgia-Pacific in 2012 were included in the RMS data for half of 2012 and for all of 2013, affecting the data for resources and emissions.

## Resources

This section describes SCA's use of raw materials, water, energy and transport in 2013.

### Raw materials

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

Renewable raw materials (fresh fiber and recycled fiber) 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 high

customer quality requirements. Synthetic materials are used in highly absorbent hygiene products to improve quality and function. 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 emissions". The figures stated are totals for surface water, groundwater and municipal water systems. SCA's total water intake amounted to 210 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 2013, SCA delivered 37 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 2013, SCA delivered heat to district heating systems equivalent to 37,982 m<sup>3</sup> of fuel oil, corresponding to enough power to heat 10,000 single-family homes.

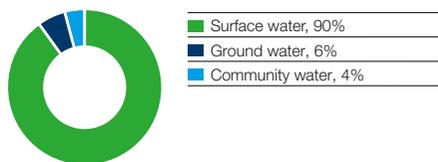
### Transport

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 30.7 billion ton-kilometers. 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 11,676 TJ of fuel and electricity.

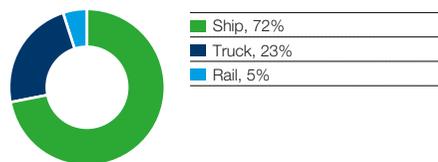
### Emissions

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 tons and m<sup>3</sup>, are shown in the tables that present Group emissions in 2011, 2012 and 2013.

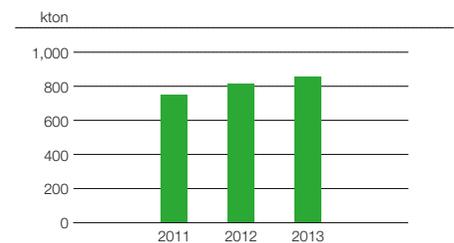
Distribution of water supply



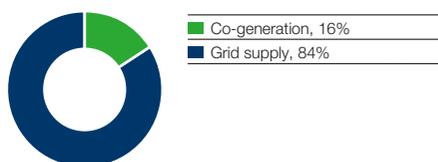
Distribution of transport usage



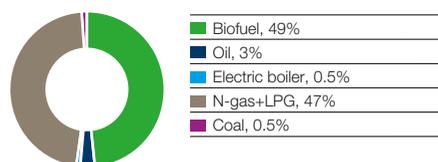
Emissions from transport, CO<sub>2</sub>



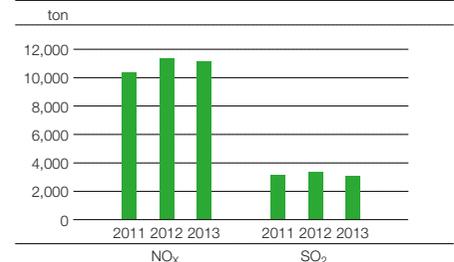
Distribution of electricity supply



Distribution of fuel supply



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



**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. SCA uses Group-wide established procedures and principles for calculating RMS data so as to create comparability.

CO<sub>2</sub> emissions from SCA's use of fossil fuels corresponded to 1,776 ktons and purchased electricity to 1,682 ktons during the year.

The closure of the coal-fired boiler at the Gien tissue mill in France resulted in a sharp decline in sulfur (SO<sub>2</sub>) emissions 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 62, but are presented in the diagrams on page 60.

**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 118 Mm<sup>3</sup>. This water is treated using methods similar to those employed at municipal wastewater treatment facilities. The figures for 2013 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.

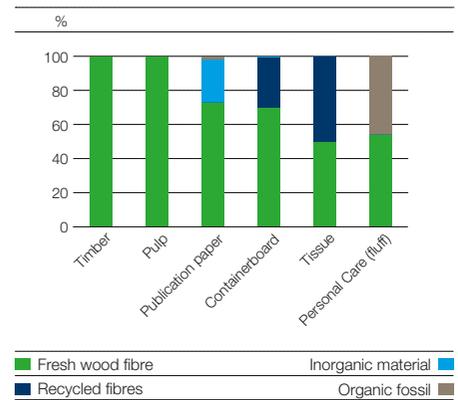
The Swedish mills in the forest products business considerably improved their emissions to water during the year. Running-in the biological wastewater treatment plant in Munksund, for example, led to significant improvements.

SCA's Swedish and Colombian plants substantially reduced their levels of suspended solids. Ortviken paper mill reported a major reduction as a result of phasing in a previously installed preliminary stage for biological wastewater treatment (flotation plant for separating pollutants in a partial current, bleach filtrate).

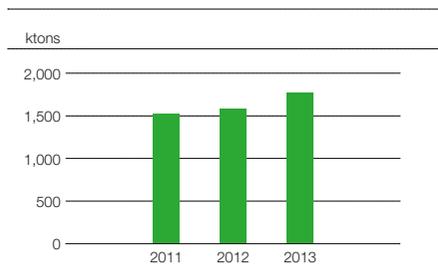
**Solid waste**

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

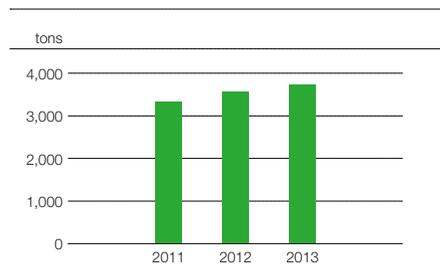
**Distribution of raw materials**



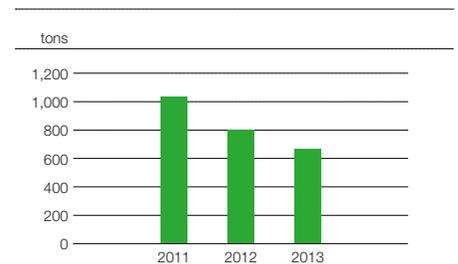
**Air emissions, CO<sub>2</sub> fossil**



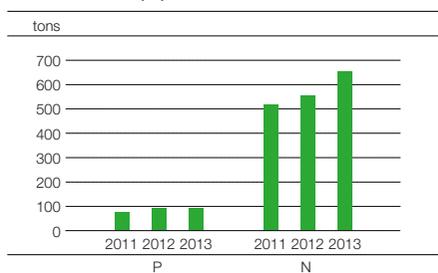
**Air emissions, NO<sub>x</sub>**



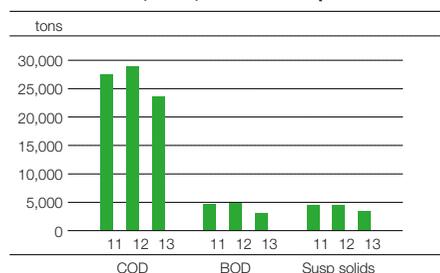
**Air emissions, SO<sub>2</sub>**



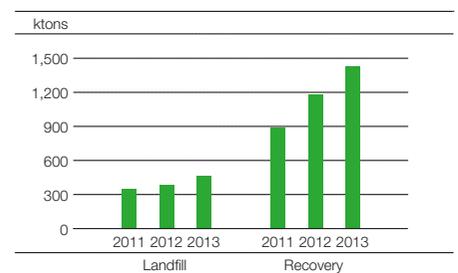
**Water effluents, P, N**



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



**Distribution of solid waste**



# Environmental data

## Raw materials, energy and emissions

		Forest Products		Tissue Products		Personal Care		SCA Group Total	
		2013	2012	2013	2012*	2013	2012	2013	2012*
<b>Production</b>									
Paper and pulp	ktons	2,276	2,289	3,190	2,871			5,466	5,160
Personal Care products	ktons					634	595	634	595
Timber and solid-wood products	1,000 m <sup>3</sup>	2,194	2,071					2,194	2,071
<b>1. Raw materials</b>									
Wood/sawmill chips**	ktons	4,508	4,431	585	407	0	0	5,093	4,838
Purchased pulp*	ktons	67	62	1,486	1,249	375	346	1,927	1,658
Purchased paper	ktons	0	0	78	47	233	161	310	208
Recovered paper	ktons	318	340	2,087	1,944	4	2	2,410	2,286
Inorganic material	ktons	211	207	0	0	0	0	211	207
Organic fossil material	ktons	13	12	4	2	319	302	336	316
Water	Mm <sup>3</sup>	111	112	99	96	1	1	210	210
<b>2. Energy</b>									
<b>Electricity</b>									
Co-generation	GWhe	794	750	521	514	0	0	1,315	1,264
Grid supply	GWhe	2,493	2,527	3,990	3,557	482	431	6,965	6,514
<b>Total</b>	<b>GWhe</b>	<b>3,287</b>	<b>3,276</b>	<b>4,511</b>	<b>4,071</b>	<b>482</b>	<b>431</b>	<b>8,280</b>	<b>7,779</b>
<b>Fuels</b>									
Biofuel	TJfuel	26,151	25,458	4,057	4,467	0	0	30,208	29,925
Fossil fuel	TJfuel	1,478	1,590	28,973	25,289	327	274	30,778	27,154
Electric boiler/hood	TJfuel	191	202	79	176	0	0	270	378
<b>Total</b>	<b>TJfuel</b>	<b>27,819</b>	<b>27,251</b>	<b>33,109</b>	<b>29,932</b>	<b>327</b>	<b>274</b>	<b>61,256</b>	<b>57,457</b>
of which co-gen.	TJfuel	3,366	3,170	3,046	3,109	0	0	6,412	6,279
<b>3. Emissions</b>									
<b>To air</b>									
NO <sub>x</sub> as NO <sub>2</sub>	tons	1,636	1,614	2,067	1,927	27	24	3,730	3,564
SO <sub>2</sub>	tons	377	323	287	479	0	0	665	802
Dust	tons	255	203	139	166	0	0	394	368
CO <sub>2</sub> fossil	ktons	114	122	1,644	1,451	18	15	1,776	1,589
CO <sub>2</sub> fossil, grid electricity	ktons	75	76	1,456	1,372	151	174	1,682	1,622
CO <sub>2</sub> biogenic	ktons	2,659	2,657	510	568	0	0	3,169	3,225
<b>To water</b>									
COD	tons	14,091	19,135	9,443	9,737	43	15	23,578	28,887
BOD	tons	1,514	3,190	1,662	1,700	2	1	3,179	4,891
Suspended solids	tons	1,911	2,729	1,471	1,812	3	1	3,384	4,542
AOX	tons	11	13	5	3	0	0	16	16
P	tons	50	47	41	46	0	0	91	93
N	tons	342	334	310	220	2	1	655	555
Effluent water	Mm <sup>3</sup>	45	44	73	71	0	0	118	115
<b>Solid waste</b>									
Landfill	tons	12,614	8,606	450,976	368,784	3,812	3,123	467,402	380,513
Recovery	tons	138,382	160,499	1,228,395	963,258	59,373	57,187	1,426,149	1,180,945
Hazardous	tons	2,813	1,764	2,038	2,415	192	48	5,043	4,227
<b>Certified volumes, SCA's main sites</b>									
ISO 9001	%	91	–	76	–	79	–		
ISO 14001	%	82	–	78	–	91	–		

\* Including companies acquired in 2012.

\*\* Partly internal deliveries.

# Social data

	2013	2012	2011
Average number of employees	34,004	33,775	43,697
of whom female, %	28	29	27
Employees leaving the company	5,143	3,993	5,207
Employees joining the company	4,426	6,344	4,809
Age distribution, %			
-20 years	2	2	2
21-30 years	18	17	18
31-40 years	28	28	27
41-50 years	29	30	30
51-60 years	20	21	20
60+ years	3	2	3
Employee turnover, %	15	12	12
Academic degree or similar	20	18	14
Competence development, hours per employee	20	17	19
Diversity:			
Women, of total number of Board members and senior executives, %	21	21	18
Nationalities, senior management <sup>1)</sup> , number	18	23	14
Nationalities, senior and middle management <sup>2)</sup> , number	41	39	44
Female managers, senior management <sup>1)</sup> , %	24	23	17
Female managers, senior and middle management <sup>2)</sup> , %	25	29	21
<b>Health and safety<sup>3)</sup></b>			
Average headcount	30,417	29,409	28,720
Lost Time Accidents, LTA	504	536	487
Contractor Lost Time Accidents, CLTA	57	n.a.	n.a.
Days Lost due to Accidents, DLA	8,143	8,958	10,159
Accident Severity Rate, ASR	16.2	16.7	20.9
Frequency Rate, FR (LTA / 1,000,000 WH)	8.4	9.7	9.2
Incident Rate, IR (LTA/200,000 WH)	1.7	1.9	1.8
Fatalities	0	1	1
Main sites certified according to OHSAS 18001, %	45	30	28
<b>Code of Conduct</b>			
Business Practice Reviews	Czech Republic, South Korea, Spain	Hungary, Malaysia	Central America, Greece
Code of Conduct audits	Chile, France, Mexico, Slovakia, Taiwan	Russia, US, Sweden, Poland	Malaysia, Russia

<sup>1)</sup> Top 110-150 managers in wholly owned SCA companies.

<sup>2)</sup> Top 750-1,000 managers in wholly owned SCA companies.

<sup>3)</sup> Data for 2011 and 2012 is recalculated for acquisitions and divestments.

100% coverage for production and logistics and excluding sales offices and administration.

# About this Report

This Report describes SCA's sustainability initiatives from an environmental, social and financial perspective. SCA publishes a Sustainability Report each year.

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.

## GRI reporting

For the sixth consecutive year, SCA has prepared its Report in accordance with Global Reporting Initiative (GRI) guidelines, version 3, level A+. Accordingly, the Report has been structured in accordance with GRI principles, meaning that the content is determined by the issues that are most relevant to SCA and its stakeholders, and that the content provides a complete view of the operations. SCA reports, with a few exceptions, in accordance with all Global Reporting Initiative recommended key performance indicators (KPIs) and a number of supplementary indicators. The GRI indicators encompass the material parts of the operations.

The entire Sustainability Report has been reviewed by PwC. More detailed information about SCA's work on environmental and social issues is available at [www.sca.com](http://www.sca.com).

## Reporting principles

The environmental and social data reported pertains to the 2013 calendar year. The figures cover the SCA Group's 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. Exceptions to this rule are made when an acquisition is of a significant size. This was the case, for example, with the acquisition of Georgia-Pacific Tissue in 2012, which is why data was included for half of the year. When adjustments have been made compared with earlier reports, a note is appended directly beside the text or table. Environmental data includes data from manufacturing operations and office locations, but not from corporate staffs, offices or employees in joint ventures. A main site is a production facility that is wholly owned by SCA and that has 100 or more employees.

## Data collection

Data provided in the Report is compiled through various systems, primarily the Group's ABS accounting system, Resource Management System (RMS) and GRI reporting system. Certain social data such as details about salaries, pensions, level of education, costs for skills development and other data pertaining to employees is reported either quarterly or annually through ABS. Other GRI data is reported annually through the GRI system.

The RMS covers more than 85 production sites, covering virtually the entire company's environmental impact and resource utilization 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.

## Comparability

Certain data is adjusted retroactively to facilitate comparisons. Figures for the preceding year are available in previous publications of SCA's Sustainability Reports. This particularly applies to data encompassed by SCA's sustainability targets, such as CO<sub>2</sub> and health and safety.

The results of the Group's CO<sub>2</sub> target and water target are adjusted each year in relation to production levels. Other environmental data is reported in absolute figures.

# Auditor's Combined Assurance Report on the Sustainability Report

## To the readers of the Svenska Cellulosa Aktiebolaget SCA (publ) Sustainability Report 2013

### Introduction

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 2013.

### Responsibility of the Board and Management for the Sustainability Report

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.

### Responsibility of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our examination. We have performed the assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. The engagement consists of a review of the Sustainability Report as a whole and an audit of selected information as specified below.

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 sustaina-

bility 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 audit has included the following information:

- a. environmental data regarding raw material water and fossil fuels on page 62
- b. health and safety data regarding Lost Time Accidents (LTA) and Accident Frequency Rate (FR) on page 50

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.

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

### Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the information in the SCA Sustainability Report has not,

in all material respects, been prepared in accordance with the above stated criteria.

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

Stockholm 28 February, 2014

PricewaterhouseCoopers AB



Anders Lundin  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of FAR

# GRI Index

SCA's Sustainability Report for 2013 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/GRI](http://sca.com/GRI)), 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. This is the fifth 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 60–65
<b>2. ORGANIZATIONAL PROFILE</b>	
2.1 Name of the organization	AR 111
2.2 Primary brands, products, and services	AR 12–13, 30, 38, 44
2.3 Operational structure of the organization	SR 58–59, AR 24
2.4 Location of organization's headquarters	SR back cover
2.5 Countries where the organization is active	AR 84
2.6 Nature of ownership and legal form	AR 18–19
2.7 Markets	AR 37, 43, 49
2.8 Size of the organization	SR inside cover, AR inside cover
2.9 Significant changes during the reporting period	AR 25
2.10 Awards received during the reporting period	SR inside cover
<b>3. REPORT PARAMETERS</b>	
<b>Report profile</b>	
3.1 Reporting period	SR 64, AR 74
3.2 Date of most recent previous report	SR 64
3.3 Reporting cycle (12 months, 24 months, etc.)	SR 64
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 10–11
3.6 Boundary of the report	SR 64
3.7 Specific limitations on the scope or boundary of the report	SR 64
3.8 Basis for reporting on joint ventures, subsidiaries, etc	SR 64, AR 75
3.9 Data measurement and calculation principles	SR 64
3.10 Comparability with previous reports	SR 64
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	SR 64
<b>GRI content index</b>	
3.12 Table identifying the location of the Standard Disclosures in the report	SR 66–67
3.13 Policy and current practice in regard to external verification of the report	SR 65
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>	
<b>Governance</b>	
4.1 Governance structure for the organization	AR 50–51, SR 58–59
4.2 The Chairman of the Board's role in the organization	AR 50–51, SR 58–59
4.3 Independent and/or non-executive Board members	AR 52
4.4 Methods for shareholders and employees to propose recommendations, etc. to the Board	AR 50–51, SR 58–59
4.5 Remuneration to senior executives	AR 85 (Note 6), <a href="http://sca.com/GRI">sca.com/GRI</a>
4.6 Processes for avoiding conflicts of interests in the Board	<a href="http://sca.com/GRI">sca.com/GRI</a>
4.7 Processes for determining the competence of Board members	<a href="http://sca.com/GRI">sca.com/GRI</a>
4.8 Mission, values, Code of Conduct, etc.	SR 44
4.9 The Board's monitoring of the sustainability work	SR 58–59, <a href="http://sca.com/GRI">sca.com/GRI</a>
4.10 Processes for evaluating the Board's own performance	SR 58–59, <a href="http://sca.com/GRI">sca.com/GRI</a>

## Commitments to external initiatives

4.11 Explanations of if and how the precautionary principle is applied	<a href="http://sca.com/GRI">sca.com/GRI</a>
4.12 Association to external voluntary codes, principles or other initiatives	<a href="http://sca.com/GRI">sca.com/GRI</a>
4.13 Membership in organizations	SR 9, <a href="http://sca.com/GRI">sca.com/GRI</a>

## Stakeholder engagement

4.14 List of stakeholder groups	AR 6–7, 16–17, SR 8–11
4.15 Basis for identification and selection of important stakeholders	AR 6–7, 16–17, SR 8–11
4.16 Approach to stakeholder relations	AR 6–7, 16–17, SR 8–11
4.17 Key topics and concerns that have been raised through dialogs with stakeholders	AR 6–7, 16–17, SR 8–11

## 5. ECONOMIC PERFORMANCE INDICATORS

<b>Disclosure on management approach</b>	AR 8–9, SR 14–15, 58–59
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### Economic performance

EC1 Direct economic value and distribution	SR inside cover, 20
EC2 Risks and opportunities for the organization due to climate changes	SR 7, 30–35 AR 61
EC3 Coverage of the organization's defined-benefit plan obligations	SR 20, AR 101 (Note 26)
EC4 Financial assistance received from government	AR 78, 81

### Market presence

EC5 Range of ratios for standard entry level wage compared to local minimum wage	SR 20, <a href="http://sca.com/GRI">sca.com/GRI</a>
EC6 Purchases from local suppliers	SR 20
EC7 Local hiring and proportion of senior management hired from the local community	SR 54, <a href="http://sca.com/GRI">sca.com/GRI</a>

### Indirect economic impact

EC8 Infrastructure investments and services provided for public purposes	SR 56–57, <a href="http://sca.com/GRI">sca.com/GRI</a>
EC9 Significant indirect economic impacts, including the extent of impacts	SR 20, SR 56–57

## 6. ENVIRONMENTAL PERFORMANCE INDICATORS

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SO7 Total number of legal actions for anti-competitive behavior	sca.com/GRI	
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PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	sca.com/GRI	

# 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 birds.

**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 IED 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 a number of sectors selected by the EU, including the pulp and paper industry.

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

**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.

**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 fibers 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 Labor** 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 oxidizes. High COD values can indicate a risk of depletion of the normal oxygen content in the water environment.

**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 also require its contractors, subcontractors and suppliers, to observe them.

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

**Consumer waste** Waste generated after a product has been used, for example, used diapers, feminine care products and tissue.

**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.

**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.

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

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

**ESAVE** Structured energy-saving program introduced by SCA in its energy-intensive manufacturing units in 2003. 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.

**Forced Labor** This includes indentured, debt bondage or involuntary labor of any kind.

**Fossil fuel** Coal, fuel oil and natural gas.

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

**FR, Frequency Rate** The number of accidents/incidents per million hours worked.

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

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

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

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

**Hazardous waste** Material disposed of by authorized 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).

**IED (Industry Emissions Directive)** The EU Directive on integrated pollution prevention and control.

**Incidence Rate, IR** Number of incidents per 200,000 working hours.

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

**International Labor Organization (ILO)** The International Labor Organization is a United Nations Agency, which establishes Conventions on Labor 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 labor standards.

**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 primarily made of fresh wood.

**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.

**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.

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

**Main site** A production facility that is wholly owned by SCA and that has 100 or more employees.

**Mechanical pulp** Debarked wood that is ground or chipped for mechanical refining to separate the fibers that form pulp.

**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 fiber or recovered fiber.

**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.

**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.

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

**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 authorization to use hazardous chemicals.

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

**Recovered fiber** Paper-making fiber 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.

**SO<sub>2</sub>** Total sulfur calculated as SO<sub>2</sub> from processes and combustion at the site. Where SO<sub>2</sub> is not measured, the input sulfur 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 fiber debris, filler and other inert materials. It used to be sent to landfill. Nowadays used as 'new' raw material and incinerated with energy recovery.

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

**Stakeholders** Groups of people with whom an organization has active relationships, and with whom effective dialog is necessary to the functioning of the business. Shareholders, authorities, customers, employees and professional associations 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).

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

**TWh, TeraWatt hour** Unit of energy measurement. 1 TWh=1,000 million kWh

**Water** Represents the sum of surface water, ground water and tap water for processes and cooling purposes.

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

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