

Corporate Governance

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Corporate Governance Report

for Svenska Cellulosa Aktiebolaget SCA (publ)

More detailed information at www.sca.com

- Articles of Association
- Swedish Code of Corporate Governance
- Information from Annual General Meetings in previous years, since 2004 (notices, minutes, President's speeches and press releases)
- Information from Nomination Committee, since 2006 (composition, proposals and work)
- Information ahead of 2009 Annual General Meeting (notice, Nomination Committee proposals, Board's proposal for principles for remuneration to the President and other senior executives, information routines for notifying attendance at the meeting, etc.)
- Earlier Corporate Governance Reports, since 2005

SCA's corporate governance

SCA applies the Swedish Code of Corporate Governance. This Corporate Governance Report is not part of the formal annual report and has not been reviewed by the company's auditors.

External framework

The foundation of the Swedish system of corporate governance is the Swedish Companies Act, which provides mandatory rules for the company's organisation and governance while safeguarding shareholder influence. Swedish accounting legislation and international accounting rules are also applied, which ensure that financial reporting meets high standards. Significant aspects of the provision of information, particularly with regard to financial information, are regulated by Swedish law.

In addition to this fundamental legislation, comprehensive and mandatory rules on corporate governance are included in the regulations of the national stock exchange. The system also applies the Swedish Code of Corporate Governance, with rules of a "comply or explain" nature, and the Swedish Securities Council's guidelines on good practice on the stock market.

Internal framework

The internal framework for corporate governance encompasses a number of key areas. The most prominent areas include rules of procedure for the Board, instructions to the President, financial policy, information policy, instructions for payment authorisation and payments, risk management policy, pension policy and the Code of Conduct.

Control

A key part of a well-functioning corporate governance system is various forms of control. In addition to the company's auditors, operations in the Swedish system are subject to control and monitoring by such bodies as the Swedish Financial Supervisory Authority and the national stock exchange. Companies' own internal control structures at different levels are also of fundamental importance.

Articles of Association

The Articles of Association are adopted by a general meeting of shareholders and contain a number of basic mandatory details about the company. The complete Articles of Association are available on SCA's website: www.sca.com. Among other provisions, SCA's Articles of Association stipulate that the Board of Directors shall comprise three to twelve members and that Class A shares shall carry ten votes and Class B shares shall carry one vote.

General meetings

The general meeting of shareholders is SCA's highest decision-making body, which all shareholders are entitled to attend. Each shareholder also has the right to have a matter considered at a general meeting. The company's Board of Directors is elected at the Annual General Meeting (AGM). Other mandatory tasks for the AGM include adopting the company's balance sheet and income statement, deciding on disposition of the earnings from the company's operations, deciding on guidelines for remuneration to senior executives and on discharging the members of the

Board and the President from liability. The AGM also appoints the company's auditors.

Annual General Meeting 2008

The Annual General Meeting of shareholders in SCA was held on Tuesday, 8 April 2008 in Stockholm. Full details of the 2008 AGM are available on SCA's website www.sca.com.

Annual General Meeting 2009

The next Annual General Meeting of shareholders in SCA will be held on Thursday, 2 April 2009 in Stockholm (see page 92).

Nomination Committee

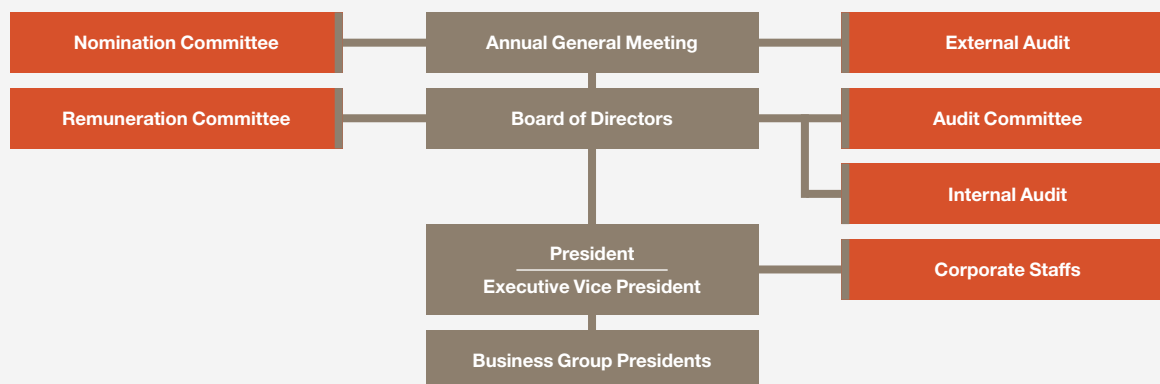
The Nomination Committee represents the company's shareholders. The committee is assigned the task of providing the best possible information on which the AGM can base its decisions and of submitting proposals for resolutions on such issues as the election of Board members and appointment of auditors and on their remuneration. The 2008 AGM decided that the Nomination Committee for the 2009 AGM should comprise representatives of not less than the four largest and not more than the six largest shareholders in terms of voting rights, as well as the Chairman of the Board, who is also the convener.

Composition of the Nomination Committee for the 2009 AGM

The composition of the Nomination Committee for the 2009 AGM is as follows:

- Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee

Corporate governance at SCA



- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Anders Oscarsson, SEB Fonder
- Hans Sterte, Skandia Liv
- Helen Olausson, AB Skrandan, among others
- Sverker Martin-Löf, Chairman of the Board of SCA

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee has submitted its proposals for the 2009 Annual General Meeting. The proposals are available on the company's website www.sca.com.

Board of Directors

The Board of Directors has overall responsibility for the company's organisation and for management of the company's affairs.

Board members

In accordance with the decision of the AGM, the Board of Directors shall comprise eight members elected by the Annual General Meeting with no deputies. In addition, Board members include three members with three deputies appointed by the employees. For detailed information about individual Board members and deputies, see page 86.

The majority (Sverker Martin-Löf, Rolf Börjesson, Sören Gyll, Tom Hedelius, Leif Johansson, Anders Nyrén and Barbara Milian Thoralfsson) of the AGM-elected members are independent of the company and senior management. Of these Board members, four (Rolf Börjesson, Sören Gyll, Leif Johansson and Barbara Milian Thoralfsson) are also considered independent of the compa-

ny's major shareholders. Only one Board member (Jan Johansson) is a member of senior management. All of the Board members understand the requirements incumbent upon a listed company.

Work of the Board

There is no specific allocation of duties within the Board other than the specific duties of the Chairman and the tasks incumbent on the Board's committees. The Board works according to the rules of procedure established by the Board. Work is carried out according to an annual schedule.

The rules of procedure specify the allocation of duties among the Board members, its committees and the President. The rules of procedure stipulate the specific content and presentation of the information that management provides to the

Board and ensures that the Board conducts an annual review of its own routines. The Board has formed an Audit Committee and a Remuneration Committee from within its ranks. SCA's General Counsel is the Secretary of the Board. In 2008, the Board held nine meetings.

Audit Committee

The tasks of the Audit Committee, which is not authorised to make decisions, include making preparations for the Board's quality assurance of the company's financial reporting. The Committee's work involves internal control and compliance issues, checking reported figures, estimates, assessments and other material that may affect the quality of the financial reports. The Committee has assigned the company's auditors

Board of Directors

	Attendance	Independent ¹⁾	Attendance Audit Committee	Attendance Remuneration Committee	Fees ²⁾
Rolf Börjesson	9/9	■		3/3	525,000
Sören Gyll	8/9	■	5/6		550,000
Tom Hedelius	9/9	■		3/3	525,000
Jan Johansson	7/7				–
Leif Johansson	9/9	■			450,000
Sverker Martin-Löf, Chairman	9/9	■	6/6	3/3 (Chairman)	1,525,000
Anders Nyrén	8/9	■	6/6 (Chairman)		575,000
Barbara Milian Thoralfsson	9/9	■			450,000
Total					4,600,000 SEK

¹⁾ As defined in the Swedish Code of Corporate Governance.

²⁾ This amount relates to fees to Board members.

■ = Member can be regarded as independent of the company and its management.

■ = Member can be regarded as independent of the company and its management and of the company's major shareholders.

Board members appointed by employee organisations are listed on page 86.

the specific task of examining how successfully the general and more detailed rules for control are followed within the company. The Committee meets the company's auditors on a regular basis, sets up guidelines for audits and other services, evaluates the auditors and assists the Nomination Committee in the selection of auditors and in matters relating to remuneration.

The Audit Committee comprises Chairman Anders Nyrén, Sören Gyll and Sverker Martin-Löf. The Audit Committee held six meetings in 2008.

Remuneration Committee

The Remuneration Committee handles salaries, pension benefits, incentive issues and other terms of employment for the President and other senior executives. Senior executives in this context include the Executive Vice President, business group presidents, individuals within the Parent Company who report to the President, and other executives that the Committee decides to include. The terms of employment for the President are determined by the Board while terms of employment for other senior executives are decided by the Remuneration Committee. The Remuneration Committee comprises Chairman Sverker Martin-Löf, Tom Hedelius and Rolf Börjesson. The Remuneration Committee held three meetings in 2008. In addition, a number of issues were dealt with per capsulam.

Chairman of the Board

According to the Board's rules of procedure, the Chairman of the Board, in addition to presiding over the Board's activities, must communicate with the President in order to monitor the Group's operations and development on a continuous basis. In addition, the Chairman represents the company in ownership matters and ensures that the Board's work is evaluated annually and that the Board continuously updates and increases its in-depth knowledge of the Group's operations. The 2008 Annual General Meeting decided to appoint Sverker Martin-Löf as Chairman of the Board.

Evaluation of the work of the Board

The work of the Board, like that of the President, is evaluated annually using a systematic and structured process, one purpose of which is to

obtain a sound basis for the Board's own development work. The Nomination Committee is informed of the results of this evaluation.

Remuneration to the Board

The total fees for AGM-elected Board members were set by the AGM at SEK 4,600,000. The Chairman of the Board received an annual fee of SEK 1,350,000 and the other Board members who are not employees each received SEK 450,000. Members of the Remuneration Committee received an additional fee of SEK 75,000 and members of the Audit Committee an additional SEK 100,000, while the Chairman of the Audit Committee received an additional fee of SEK 125,000.

Operational management

President

The President, who is also the CEO, is responsible for ongoing management of the company in accordance with the Board's guidelines and instructions. The President is supported by an Executive Vice President, who is also the CFO, a COO and a Group management team. See page 87. The Board's rules of procedure and the Board's instructions to the President outline such information as the allocation of duties between the Board and the President.

Business group management

The Group has six business groups and one central function that conducts research, innovation, brand development and technology on behalf of hygiene operations. The joint hygiene operations also have a separate management and coordination body. Each business group has operational responsibility for their area. The rules of procedure and instructions ensure that a number of matters of importance are referred to the CEO or the Parent Company's Board of Directors.

Remuneration to management

Principles for remuneration to senior executives

The guidelines for remuneration to senior executives adopted by the 2008 Annual General Meeting are available in Note 7 and on the company's website, www.sca.com, while the Board's proposal to the 2009 Annual General Meeting is

available in the Board of Directors' Report on page 12 and on the company's website: www.sca.com.

Salaries and other remuneration to the President and other senior executives

For information about salaries and other remuneration and benefits to the President and other senior executives, see Note 7.

Outstanding stock and share-price-related incentive programmes

In 2002, some 200 senior executives received stock options free of charge at a value (theoretically calculated) that, on the date of allotment, did not exceed approximately 20% of each executive's base salary. For additional information, see Note 7.

Audit

Auditors

The 2008 Annual General Meeting appointed the accounting firm of PricewaterhouseCoopers AB as the company's auditors for a mandate period of four years. The accounting firm notified the company that Anders Lundin, Authorised Public Accountant, would be the senior auditor. Anders Lundin is also auditor for Aarhus Karlshamn AB, AB Industrivärden, Husqvarna AB, Loomis AB and Melker Schörling AB. Anders Lundin holds no shares in SCA.

Audit work

The company's auditors submit an audit report for SCA's annual accounts and consolidated accounts, the administration of the company by the Board and the President of SCA and the annual accounts for other subsidiaries. This audit is conducted in accordance with the Swedish Companies Act and Auditing Standards in Sweden according to FAR SRS, which are based on the international auditing standards of the International Federation of Accountants (IFAC). Auditing of annual accounts documents of SCA's legal entities outside Sweden is performed in accordance with statutory requirements and other applicable rules in each country and in accordance with generally accepted auditing standards according to IFAC GAAS, by issuing audit reports for the legal entities. The Group's six-month report is reviewed by the company's auditors pursuant to the recommendation issued by FAR SRS.

Remuneration to auditors

The company's auditors have received remuneration for audits and other required reviews as well

Remuneration to auditors (PricewaterhouseCoopers)

SEKm	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
Remuneration for audit assignments	67	62	62	10	9	9
Remuneration for other consultations	19	17	29	6	2	2

as advice and other assistance resulting from observations made during such audits. The auditors have also received remuneration for separate advisory services. Most of the advice pertains to audit-related consultation on accounting and tax issues in connection with restructuring processes.

According to its instructions, the Audit Committee must draw up guidelines stipulating which services, other than auditing, the company may purchase from its auditors. Remuneration paid to auditors in 2008 is specified in Note 5.

Financial reporting

Financial reporting to the Board

The Board's rules of procedure and schedule specify the reports and information of a financial nature that should be presented to the Board at each of the regular meetings.

The Board's instructions to the President require him to ensure that the Board receives the necessary reports to continuously assess the financial position of the company and the Group. The instructions also specify which types of reports the Board must receive at every meeting.

External financial reporting

The quality of the company's external financial reporting is ensured through a variety of measures and routines. The tasks assigned to the company's internal control unit include examining accounting processes critical for financial reporting and communicating any observations to the Audit Committee and the Board. In addition to the annual accounts, the auditors examine the six-month accounts. The President, supported by his corporate staffs, is responsible for ensuring that all other financial information provided, for example, in press releases with a financial content and presentation material for meetings with media representatives, owners and financial institutions is correct and of good quality.

Communication with the company's auditors

In accordance with its instructions, the Audit Committee meets regularly with the company's auditors to obtain information on the focus and scope of the audit and to discuss coordination between the external audit and internal control function, as well as opinions on the company's financial risks. In addition, the Board, in accordance with its rules of procedure, meets the auditors at not fewer than three regular Board meetings during the course of the year. At these meetings, the auditors present and receive opinions on the focus and scope of the planned audit and deliver verbal audit and re-

view reports. Furthermore, at the Board's third regular autumn meeting, the auditors deliver an in-depth report on the audit for the current year. The rules of procedure specify a number of mandatory issues that must be covered. These include matters of importance that have been a cause for concern or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures, as well as accounting for consultancy work assigned to the audit firm by SCA and its overall dependence on the company and its management.

On each occasion, Board members have an opportunity to ask the auditors questions and some detailed discussion of the accounts takes place without representatives of company management being present. Similar control of the company's contacts exists in the business groups.

Internal control and financial reporting

The Board of Directors has drawn up a number of basic documents that are significant to the company's financial reporting. Within the framework of these documents, SCA's management has prepared accounting and reporting instructions as well as instructions for internal control. These basic control documents are applied in all of the business groups and are reviewed on a regular basis.

Managers at different levels within the Group have, within their respective areas, defined powers and responsibilities with respect to financial reporting. The management system also includes several well-defined processes for planning and implementation of decisions.

Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimise this risk, control documents have been established pertaining to accounting, routines for annual accounts and follow-up of reported annual accounts. A Group-wide system for reporting annual accounts has also been introduced. In 2008, this system was further coordinated and adapted to changes made to the format of the company's income statements and balance sheets.

SCA's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income-statement and balance-sheet items are compared with earlier reports, budgets and other planned figures.

Control activities that are significant to financial reporting are carried out using the company's IT system. To further reduce the risk of error, changes were made to the company's system-access procedures and new work methods for system changes were implemented during the year.

Control activities

Process managers at various levels within SCA are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the company's controller organisation, which is responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. Significant instructions and guidelines are updated regularly and are easily accessible on the company's intranet. In addition, each business group has a Finance Manager with the same responsibilities for each business group. The company's control activities are supported by the budgets prepared by each unit and updated during the year through continuous forecasts.

In recent years, SCA has introduced a standardised system of control measures involving processes that are significant to the company's financial reporting. In 2008, the control requirements for these processes were clarified. The controls must be adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question.

Control of these processes is implemented through self-evaluation followed up by an internal audit. In some cases, SCA has enlisted external help to validate these control measures.

Reporting

Financial results are reported and examined regularly within the management teams of the operating units and communicated to SCA's management at monthly and quarterly meetings.

Monitoring and follow-up

SCA has established a corporate internal audit unit with 12 employees. The head of the unit reports to the Audit Committee (see page 82) on issues concerning internal auditing and to CFO on other issues. During the current year, the unit reports its findings concerning financial reporting and other topics at every meeting with the Audit Committee and on one occasion to SCA's Board. The unit also provides internal advisory services on internal control issues.

Elected by the Annual General Meeting



Sverker Martin-Löf (1943)
Tech Lic., Honorary PhD
Chairman of the Board since 2002, formerly President and CEO of SCA. Chairman of the Board of SSAB and Skanska. Vice Chairman of Industrivärden, Ericsson and the Confederation of Swedish Enterprise. Member of the Board of Handelsbanken. Elected: 1986
A shares: 3,000 B shares: 77,823
Options: 40,000
Independent of the company and corporate management.



Rolf Börjesson (1942)
MSc Eng.
Chairman of the Board of Ahlsell AB. Member of the Board of Avery Dennison and Huhtamäki Oyj. Elected: 2003
B shares: 17,850
Independent of the company, corporate management and SCA's major shareholders.



Sören Gyll (1940)
Honorary PhD Engineering
Member of the Royal Swedish Academy of Engineering Sciences (IVA). Elected: 1997
B shares: 4,407
Independent of the company, corporate management and SCA's major shareholders.



Tom Hedelius (1939)
MSc Econ, Honorary PhD Economics
Chairman of the Board of B&B Tools, Industrivärden, the Jan Wallander and Tom Hedelius Foundation and Anders Sandrews Foundation. Vice Chairman of Addtech and Lagercrantz Group. Member of the Board of LE Lundbergföretagen and Volvo. Honorary Chairman of Handelsbanken. Elected: 1985
B shares: 5,820
Independent of the company and corporate management.



Jan Johansson (1954)
Master of Laws
President and CEO. Chairman of the Board of Petrosibir AB. Elected: 2008
B shares: 50,000



Leif Johansson (1951)
MSc Eng.
President of AB Volvo and CEO. Member of the Board of AB Volvo, Bristol-Myers Squibb Company, the Confederation of Swedish Enterprise and Teknikföretagen. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Elected: 2006
B shares: 6,040
Independent of the company, corporate management and SCA's major shareholders.



Anders Nyrén (1954)
MSc Econ, MBA
President of AB Industrivärden and CEO. Vice Chairman of Handelsbanken and Sandvik. Member of the Board of Ericsson, Ernströmgruppen, AB Industrivärden, and SSAB. Chairman of the Stock Market Company Association and the Association for Generally Accepted Principles in the Securities Market. Elected: 2001
B shares: 1,200
Independent of the company and corporate management.



Barbara Milian Thoralfsson (1959)
MBA, BA
Member of the Board of Electrolux AB, Storebrand ASA, Tandberg ASA, Fleming Invest AS, Stokke AS and Norfolier AS. Elected: 2006
B shares: 3,000
Independent of the company, corporate management and SCA's major shareholders.

Appointed by the employees



Lars Jonsson (1956)
Chairman Swedish Paper Workers Union dept. 167 at SCA Graphic Sundsvall AB, Östrands pulp plant, Timrå. Member of the Swedish Trade Union Confederation (LO). Appointed: 2005



Lars-Erik Lundin (1948)
Project Manager at SCA Packaging Obbola AB. Member of the Federation of Salaried Employees in Industry and Services (PTK). Appointed: 2005



Örjan Svensson (1963)
Senior Industrial Safety Representative at SCA Hygiene Products AB, Edet Bruk, Lilla Edet. Member of the Swedish Trade Union Confederation (LO). Appointed: 2005

Honorary Chairman

Bo Rydin
MSc Econ., Hon PhD Econ., Hon PhD Engineering

Auditors

PricewaterhouseCoopers AB
Senior Auditor: Anders Lundin,
Authorised Public Accountant

Secretary to the Board

Anders Nyberg (1951)
Master of Laws
Senior Vice President, Corporate Legal Affairs, General Counsel
B shares: 30,396 Options: 12,000

Deputies

Anders Engqvist (1958)
Machine Operator at SCA Packaging Sweden AB, Värnamo. Member of the Swedish Trade Union Confederation (LO). Appointed: 2005

Bert-Ivar Pettersson (1955)
Works Manager at SCA Graphic Sundsvall AB, Örtviken paper mill, Sundsvall. Member of the Council for Negotiation and Cooperation (PTK). Appointed: 2005

Harriet Sjöberg (1946)
Chairman, Unionen, SCA Hygiene Products AB, Gothenburg. Member of the Council for Negotiation and Cooperation (PTK). Appointed: 2001
B shares: 1,815

Information regarding individuals' own and related parties' shareholdings pertain to the situation on 31 December 2008. One option corresponds to three shares.



Jan Johansson (1954)
President and CEO
Master of Laws
Employed since 2007
B shares: 50,000



Lennart Persson (1947)
CFO and Executive Vice President,
Head of Finance
BSc BA
Employed since 1987
B shares: 35,265
Options: 20,000



Kenneth Eriksson (1944)
COO (Chief Operating Officer)
Mechanical Engineer
Employed since 1979
B shares: 17,373
Options: 20,000



Robert Sjöström (1964)
President SCA Global Hygiene Category
MSc Econ, MBA
Employed since 2009



Thomas Wulkan (1961)
President SCA Personal Care Europe
BSc BA
Employed since 2000



Mats Berencrutz (1954)
President SCA Tissue Europe
MSc ME
Employed since 1981
B shares: 417
Options: 7,500



Phil Almond (1960)
President SCA Packaging Europe
Chartered accountant
BSc
Employed since 1993
Options: 7,500



Ulf Larsson (1962)
President SCA Forest Products
BSc Forestry
Employed since 1992
A shares: 138
B shares: 1,623



Sune Lundin (1951)
President SCA Americas
MSc
Employed since 2008



Christoph Michalski (1966)
President SCA Asia Pacific
MSc Econ.
Employed since 2007
B shares: 1,700



Bodil Eriksson (1963)
Senior Vice President, Corporate
Communications
Berghs School of Communications
Employed since 2005
B shares: 300



Gordana Landén (1964)
Senior Vice President, Corporate
Human Resources
BSc
Employed since 2008



Anders Nyberg (1951)
Senior Vice President, Corporate
Legal Affairs, General Counsel
Master of Laws
Employed since 1988
B shares: 30,396
Options: 12,000



Ulf Söderström (1964)
Senior Vice President, Business Develop-
ment and Strategic Planning
Studies in economics, MBA
Employed since 2009
B shares: 24

Information regarding individuals' own and related parties' shareholdings pertain to the situation on 31 December 2008. One option corresponds to three shares.