

# Corporate governance

The task of corporate governance is to ensure SCA's commitments to all of its stakeholders, including shareholders, customers, suppliers, creditors, society and employees. Moreover, corporate governance shall support the company's long-term strategy, market presence and competitiveness. Corporate governance shall be reliable, clear, simple and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for SCA's 2017 Annual Report in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act (1995:1554). The report has been reviewed by the company's auditors.

## Corporate governance, including remuneration, pages 55-61

This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration in SCA and internal control in the Group are also included here. SCA applies the Swedish Corporate Governance Code without any exceptions, observing the changes made to the Code on December 1, 2016 ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)).

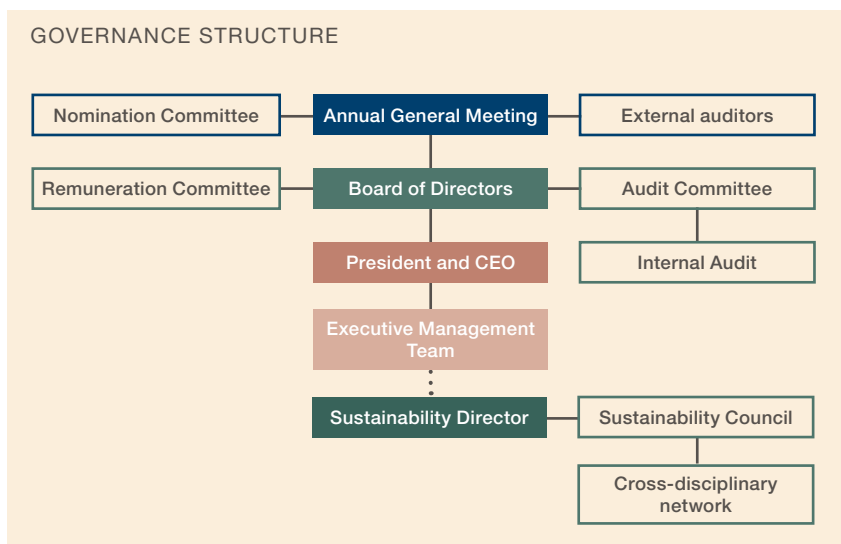
## Risks and risk management, pages 50-53

SCA's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-wide level. The section dealing with risk management describes the most significant risks, and the control documents and measures that the Group applies to manage these.

## Sustainability, page 54

SCA's sustainability work is an integral part of the company's business model. The sustainability work helps the company reduce risks and costs, strengthen competitiveness, and attract talent and investors. The President and CEO bears the overall responsibility for the control of SCA's business in the field of sustainability. SCA has a Group Function in charge of sustainability, led by SCA's Sustainability Director. The work is coordinated through two Sustainability Councils and a number of cross-disciplinary networks.

## Governance at SCA



## Shareholder meeting/ Annual General Meeting

The shareholders' meeting is SCA's highest decision-making body, which all shareholders are entitled to attend, to have a matter considered and to vote in respect of all shares held by the shareholder. According to its Articles of Association, SCA has two listed classes of shares: Class A and Class B shares. Every Class A share represents 10 votes and every Class B share represents one vote. The Annual General Meeting (AGM) is the name of the annual shareholders' meeting at which the annual report is presented. Among other matters, the company's Board of Directors and the Chairman of the Board are elected at the AGM. The AGM also appoints the company's auditors.

### Nomination Committee

The Nomination Committee represents the company's shareholders and is charged with the task of preparing proposals for adoption at the AGM with respect to election and remuneration matters and, in certain cases, proposing procedural motions for the next Nomination Committee.

### Board of Directors

The Board of Directors has overall responsibility for the company's organization and administration through regular monitoring of the business and by ensuring the appropriateness of the organization and management team, and also compliance with guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

The Board of Directors shall comprise nine members elected by the AGM with no deputies. In addition, the Board shall include three employee representatives and three deputies.

SCA's Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles.

### Chairman of the Board

The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently conducted. This includes continuously monitoring the company's operations in close dialogue with the President and CEO and ensuring that other Board members receive information and decision data that will enable high-quality discussion and decisions by the Board. The Chairman leads the assessment of the Board's and the President and CEO's work. The Chairman also represents the company in ownership matters.

### Audit Committee

The company's Board has established within itself an Audit Committee. The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management, and submits recommendations and proposals to ensure the reliability of reporting. The Committee keeps itself informed on the audit, reviews and monitors the impartiality and independence of the auditors and submits recommendations to the Nomination Committee as a basis for the appointment of auditor and remuneration, and information to the Board concerning the results of the audit and so forth in order to fulfill all requirements of the EU Audit Regulation and Directive. The Audit Committee sets guidelines for the procurement of services other than auditing services from the company's auditors. Lastly, the Audit Committee evaluates the audit effort and informs the Nomination Committee of the results of the evaluation.

### Remuneration Committee

The company's Board also has established within itself a Remuneration Committee. This Committee prepares the Board's motions on issues relating to remuneration principles and remuneration and other terms and conditions of employment for the President and CEO, and is authorized to make decisions in these matters for the company's other senior executives. The Committee monitors and assesses programs for variable remuneration, the application of the AGM's resolution on guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the Group.

### Internal audit

At SCA, it is the employees' responsibility to ensure sound internal governance and control in the operation or process for which they are responsible. Internal

audit is a separate function with the task of evaluating and improving the efficiency of SCA's internal governance and control, as well as its risk management. This function reports to the Audit Committee and the Board in relation to internal audit issues. The function examines, among other aspects, SCA's internal processes for sales, financial reporting, IT systems, HR issues, various types of projects and compliance with SCA's policies and general instructions.

### President and CEO

SCA's President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President and CEO is supported by the Executive Management Team (see pages 64-65), the work of which is led by the CEO. The Executive Management Team comprises the President and CEO, the CFO, the Presidents of the Business Areas Forest, Paper, Pulp, Wood, Renewable Energy and the President for the support unit Sourcing and Logistics, and President Project Helios. Furthermore, the Senior Vice Presidents of the Group functions Human Resources, Legal Affairs, Communications and Strategic Development are also members of the team. The working procedures for the Board of Directors and terms of reference issued by the Board of Directors to the President and CEO detail, for example, the division of work between the Board and President and CEO. In consultation with the Chairman of the Board, the President and CEO prepares documentation and decision data for the Board's work.

SCA's business areas and support unit are described in detail in the Board of Directors' Report (see pages 44-45).

SCA adheres to the principle of distinct decentralization of responsibility and authority. The business areas are fully responsible for developing their respective operations through established

#### INTERNAL RULES AND REGULATIONS INCLUDE

- Articles of Association
- Working procedures of the Board of Directors
- Terms of reference issued by the Board to the President and CEO
- Code of Conduct
- Other policy documents established by the Board and instructions established by the President and CEO.

#### EXTERNAL RULES AND REGULATIONS INCLUDE

- The Swedish Companies Act
- International Financial Reporting Standards (IFRS)
- Nasdaq Stockholm's rules for issuers
- Swedish Corporate Governance Code

#### COMPLIANCE WITH STOCK MARKET REGULATIONS

In 2017, SCA was not sanctioned by the Swedish Financial Supervisory Authority, the stock exchange's disciplinary board or any other authority or self-regulating body for violations of the rules concerning the stock market.

objectives and strategies, a process that is also centrally coordinated. Each business area is responsible for its operating result, capital and cash flow. The position of the business and results are followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are conducted during which the management of each business area personally meets with the President and CEO, the CFO and others. These meetings function as a complement to the daily monitoring of operations. Information regarding SCA's President and CEO is found on page 62.

#### External auditors

The company's auditors, elected at the Annual General Meeting, examine SCA's accounting, the Group's annual report and sustainability report, the Board's and President and CEO's administration and the annual reports of subsidiaries, and submits an audit report.

The audit is performed in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden.

## Activities during the year

### Annual General Meeting

The AGM was held on Thursday, April 5, 2017, in Stockholm, Sweden. A total of 1,506 shareholders were represented at the Meeting, either personally or by proxy, representing approximately 60.4 percent of the votes in the company. Carl Svernlöv, Attorney-at-Law, was elected Chairman of the Meeting.

The Meeting resolved that a dividend of SEK 6.00 (5.75) per share be paid for the 2016 fiscal year. Furthermore, the AGM resolved that all shares in the wholly owned subsidiary SCA Hygiene AB (later, Essity Aktiebolag (publ)) should be distributed, according to which one share of Class A in Svenska Cellulosa Aktiebolaget SCA carries entitlement to one share of Class A in SCA Hygiene AB (publ) and one share of Class B in Svenska Cellulosa Aktiebolaget SCA carries entitlement to one share of Class B in SCA Hygiene AB. The AGM decided on the re-election of Board members Pär Boman, Ewa Björling, Maija-Liisa Friman, Annemarie Gardshol, Magnus Groth, Johan Malmquist, Bert Nordberg, Louise Svanberg and Barbara Milian Thoralfsson. Lars Rebien Sørensen was newly elected. Pär Boman was re-elected as the Chairman of the Board. Ernst & Young was reelected as auditor for the period

#### FACT BOX:

Read more about SCA's Corporate Governance at [www.sca.com](http://www.sca.com)

- Articles of Association
- Swedish Corporate Governance Code
- Information from previous Annual General Meetings since 2015 (notices, minutes, President and CEO's speeches) and press releases since 2012
- Information from the Nomination Committee since 2006 (composition, proposals and work)
- Information ahead of the 2018 Annual General Meeting (notice, Nomination Committee proposals including the Audit Committee's recommendation, Board proposal for principles for remuneration of senior executives, information routines for notifying attendance at the Meeting, etc.)
- Earlier Corporate Governance Reports, since 2007

until the 2018 AGM. Moreover, guidelines for determining the salary and other remuneration of the President and other senior executives were adopted; see Note C3 on page 88. The AGM also decided to relocate the company's registered office to Sundsvall, and decided on withdrawal of treasury shares, as well as the change in share capital through a bonus issue.

The minutes of the Meeting in full and information on the 2017 AGM, including the President and CEO's speech, are available at [www.sca.com](http://www.sca.com).

SCA held an Extraordinary General Meeting in Sundsvall on May 17, 2017. Charlotte Bengtsson, Lennart Evrell, Ulf Larsson, Martin Lindqvist and Lotta Lyrå were elected as new Board members.

The newly elected members joined the Board on the first day of trading in the shares in Essity Aktiebolag (publ) on Nasdaq Stockholm, on June 15, 2017.

Board members Ewa Björling, Maija-Liisa Friman, Magnus Groth, Johan Malmquist, Lars Rebien Sørensen and Louise Svanberg declared that they were not available for election to the Board of SCA following the listing of Essity Aktiebolag (publ).

Accordingly, the Board of Directors of SCA from June 15, 2017, comprises Pär Boman (Chairman), Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson, Martin Lindqvist, Lotta Lyrå, Barbara Milian Thoralfsson and Bert Nordberg, and the appointed employee representatives (see next page).

Minutes from the Extraordinary General Meeting are available from [www.sca.com](http://www.sca.com).

### Nomination Committee

The 2017 AGM decided that the following procedure for appointing the Nomination Committee is to apply until further notice. The Nomination Committee is to comprise representatives of not fewer than four and not more than six of the largest shareholders in terms of voting rights as per the shareholders' register maintained by the company on the final banking day of August, as well as the Chairman of the Board, who also convenes the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of votes is to be appointed as Chairman of the Nomination Committee. If necessary, due to subsequent ownership changes, the Nomination Committee – should the number of members be less than seven – is entitled to call on one or two additional members

from among the next largest shareholders in terms of voting rights, so that the total number of members amounts to not more than seven. In the event that a member steps down from the Nomination Committee before the task is completed and the Nomination Committee decides it would be beneficial for a replacement to be appointed, such a replacement is to be appointed by the same shareholder or, if this shareholder is no longer among the largest shareholders in terms of voting rights, by the next largest shareholder in terms of voting rights. Changes to the composition of the Nomination Committee are to be disclosed immediately. The composition of the Nomination Committee is to be disclosed not later than six months prior to the AGM. No remuneration is to be paid to the members of the Nomination Committee. Any expenses incurred during the work of the Nomination Committee are to be paid by the company. The mandate period of the Nomination Committee extends until the composition of the next Nomination Committee is disclosed. The Nomination Committee is to submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees for the Chairman of the Board and each of the other Board members, remuneration for committee work, the company's auditors and auditors' fees.

In its work, the Nomination Committee is to consider the rules that apply to the independence of Board members, as well as the requirement of diversity and breadth with the endeavor to achieve an even gender distribution and that the selection for those nominated shall be based on expertise and experience relevant to SCA.

#### **Composition of the Nomination Committee for the 2018 AGM**

The composition of the Nomination Committee for the 2018 AGM is as follows:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee
- Petter Johnsen, Norges Bank Investment Management
- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Marianne Nilsson, Swedbank Robur Funds
- Pär Boman, Chairman of the Board, SCA

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2018 AGM is presented in the notice convening the AGM on SCA's website [www.sca.com](http://www.sca.com). The 2018 AGM will be held on March 23; see page 145.

The Nomination Committee was convened on four occasions up to January 31, 2018. The Chairman of the Board presented the Board evaluation and provided the Nomination Committee with information regarding Board and committee work during the year.

#### **Diversity policy**

When preparing proposals for the Board for both the 2017 AGM and the Extraordinary General Meeting on May 17, 2017, the Nomination Committee applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. The policy aims to ensure that the Board has, in accordance with the company's operations, stage of development and circumstances in general, an appropriate composition characterized by diversity and breadth with regard to the AGM-elected members' expertise, experience and background with the endeavor to achieve an even gender distribution. The 2017 AGM resolved in accordance with the Nomination Committee's proposal, which meant ten members were elected, of which five were women and five men. The Extraordinary General Meeting resolved in accordance with the Nomination Committee's proposal, which meant the number of Board members following the Meeting is nine, of which four are women and five men. For further information, see also the Board of Directors below.

When preparing proposals for the Board for the 2018 AGM, the Nomination Committee has worked with an applied diversity policy in a similar manner, which resulted in the proposal for the Board described in the notice convening the AGM. The Nomination Committee's proposal entails the appointment of ten Board members, of which four are women and six men. When preparing its proposal for the election of auditors and remuneration, the Nomination Committee also gave consideration to the recommendation of the Audit Committee.

#### **Board of Directors**

SCA's Board of Directors comprises nine members elected by the AGM and the Extraordinary General Meeting on May 17,

2017. In addition to these members, there are three employee representatives and their three deputies.

Accordingly, following the distribution of Essity Aktiebolag (publ), as of June 15, 2017, the Board of Directors comprised the AGM-elected members Pär Boman (Chairman), Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson (President and CEO), Martin Lindqvist, Lotta Lyrå, Barbara Milian Thoralfsson and Bert Nordberg.

The independence of Board members is presented in the table on page 59. SCA complies with the requirements of the Swedish Corporate Governance Code that stipulate that not more than one member elected by the AGM shall be a member of company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the AGM-elected Board members have experience of the requirements incumbent upon a listed company.

The following three employee representatives were appointed to the Board for the period until the 2018 AGM: Roger Boström, Johanna Viklund Lindén and Hans Wentjär, and their deputies Maria Jonsson, Per Andersson and Stefan Lundkvist. Further information concerning the Board members can be found on pages 62-63.

#### **Board activities**

In 2017, the Board was convened 12 times. The Board has fixed working procedures that describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. The Board also establishes and evaluates the company's overall objectives and strategy and decides on significant internal rules. Another key task is to continuously monitor the internal control and compliance of the company and its employees with relevant internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout the year, the Board also deals with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditors

regularly present a report on their audit work and these issues are discussed by the Board.

In 2017, one focus area for the Board was the completed distribution of the company's hygiene business (Essity Aktiebolag (publ)). Before the distribution, this work involved preparations for a proposal concerning the distribution to be presented to shareholders ahead of the 2017 AGM. After the distribution of Essity AB, in addition to standard Board duties, this work has involved strategy issues, training and site visits for the Board members in SCA's areas of business.

### Evaluation of the Board's work

The work of the Board, like that of the President and CEO, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. In 2017, the evaluation took the form of an anonymous ques-

tionnaire and interviews as well as group and individual discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the full results of the evaluation.

### Audit Committee

The Audit Committee comprises Chairman Barbara Milian Thoralfsson, Pär Boman and Martin Lindqvist. The Audit Committee held five meetings in 2017. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of internal control procedures and the measurement of the Group's forest assets. The Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors and remuneration.

### Remuneration Committee

The Remuneration Committee comprises Pär Boman (Chairman), Bert Nordberg and Lennart Evrell. The Remuneration Committee held seven meetings in 2017. Activities in 2017 mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

### Internal audit

The basis of the work with internal audit is a risk-based annual plan. The plan derives from a risk assessment process based on documentation from operations, management and the Board. The annual plan is approved by the Audit Committee. In 2017, ten internal audit assignments were conducted. Observations are reported to the Audit Committee.

During 2017, work included follow-up of the organization's work concerning the effectiveness of internal controls and monitoring regulatory compliance, which consists of SCA's Code of Conduct and other control documents.

## Board of Directors and committees

Names	Elected	Dependence	The Board of Directors	Attendance <sup>5)</sup>	Audit Committee	Attendance <sup>5)</sup>	Remuneration Committee	Attendance <sup>5)</sup>
Pär Boman	2010	●	Chairman	12	Member	5	Chairman	7
Charlotte Bengtsson	2017 <sup>1)</sup>	●	Board member	5				
Lennart Evrell	2017 <sup>1)</sup>		Board member	5			Member <sup>3)</sup>	4
Annemarie Gardshol	2015		Board member	12				
Martin Lindqvist	2017 <sup>1)</sup>		Board member	5	Member <sup>3)</sup>	3		
Lotta Lyrå	2017 <sup>1)</sup>		Board member	4				
Bert Nordberg	2012		Board member	12	Member <sup>4)</sup>	2	Member	7
Barbara Milian Thoralfsson	2006		Board member	12	Chairman	5		
Ulf Larsson	2017 <sup>1)</sup>	●	Board member	5				
Ewa Björling	2016 <sup>2)</sup>		Board member	7				
Maija-Liisa Friman	2016 <sup>2)</sup>		Board member	7				
Johan Malmquist	2016 <sup>2)</sup>		Board member	7				
Lars Rebien Sörensen	2017 <sup>2)</sup>		Board member	4				
Louise Svanberg	2012 <sup>2)</sup>		Board member	7			Member <sup>4)</sup>	3
Magnus Groth	2015 <sup>2)</sup>	●	Board member	7				

1) Elected to the Board on June 15, 2017.

2) Withdrew from the Board on June 15, 2017.

3) From June 15, 2017.

4) Until June 14, 2017.

5) Board meetings January 1–December 31, 2017.

- Dependent in relation to the company's major shareholder, Industrivärden.
- President and CEO of SCA, dependent in relation to the company and corporate management.
- Dependent in relation to the company and corporate management – President of Skogforsk.

	Number of meetings in 2017	Number of meetings after June 15, 2017
The Board of Directors	12	5
Audit Committee	5	3
Remuneration Committee	7	4

**External auditors**

The 2017 Annual General Meeting appointed the accounting firm of Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Hamish Mabon, Authorized Public Accountant, would be the auditor in charge. Hamish Mabon is also the auditor for Essity AB, Skanska AB, AB Tetra Pak and Husqvarna AB. The auditor owns no shares in SCA.

In accordance with its working procedures, the Board met with the auditors at two scheduled Board meetings in 2017. The auditors also attended each meeting of the Audit Committee. At these meetings, the auditors presented and received opinions on the focus and scope of the planned audit and delivered verbal audit

and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditors delivered a preliminary report on the audit for the year. The working procedures 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 deals and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditors also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the detailed discussion on the accounts take place

without representatives of company management being present.

**The largest shareholders**

As of December 31, 2017, AB Industrivärden was the company's largest shareholder, with a holding totaling 35,000,000 Class A shares and 31,800,000 Class B shares, corresponding to 9.5 percent of the total number of shares and 29.7 percent of the total number of votes in the company. No other shareholder in the company has a direct or indirect shareholding whose voting rights represent one-tenth or more of the total number of votes in the company. For more information about the company's largest shareholders, refer to page 31.

## Remuneration, Executive Management Team and Board of Directors

**Guidelines**

The 2017 Annual General Meeting adopted guidelines for remuneration of senior executives. The total remuneration package comprises a fixed salary, variable salary, other benefits, and a pension. See Note C3 on pages 88-89.

**Remuneration of the President and CEO and other senior executives**

Remuneration of the President and CEO and other senior executives is presented in Note C3 on page 89.

**Variable remuneration and strategic targets**

Programs for variable remuneration are formulated to support the Group's stra-

tegic targets. The short-term program is individually adapted and based mainly on cash flow and profit. The long-term program is based on the SCA share's long-term total shareholder return.

**Remuneration of the Board**

The total remuneration of the AGM-elected Board members is presented in Note C4 on page 90.

## Internal control and financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting. The Board bears the overall responsibility for financial reporting and its working procedures regulate the internal division of work between the Board and its committees.

The Audit Committee has the important task of preparing the Board's work to assure the quality of financial reporting. This preparation work includes issues relating to internal control and regulation

compliance, control of recognized values, estimations, assessments and other activities that may impact the quality of the financial statements. The Committee has charged the company's auditors with the task of specifically examining the degree of compliance in the company with the rules for internal control, both general and detailed.

**Financial reporting to the Board**

The Board's formal work plan stipulates which reports and information of a financial nature are to be submitted to the Board at each scheduled meeting. The President and CEO ensures that the Board receives the reports required to enable the Board to continuously assess

the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

**External financial reporting**

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President and CEO is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their

observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the six-month report and of the company's administration and internal control is carried out.

### 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 minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. There is also a joint system for reporting periodical accounts. 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. For further information, see Risk and risk management on pages 50-53.

### Control activities and follow-up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Finance Function and are easily accessible on the Group's intranet. The

Group Finance Function is responsible for ensuring compliance with instructions and guidelines. Process owners 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 business areas and support units' finance organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. The company's control activities are supported by the budgets prepared by each business unit and updated during the year through continuous forecasts.

SCA has introduced a standardized system of control measures involving processes that are significant to the company's financial reporting, among other matters. The controls are 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 assessed and updated through self-evaluation followed up by a review through the internal control function. In some cases, SCA has enlisted help to validate these control measures from the internal auditors and external parties.

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. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until closing. For additional information, see Internal audit on page 59.

The Board follows up to ensure that the internal control and reporting to the Board functions through continuous reporting from the President and CEO and CFO and through reporting from the internal audit unit in the scope of the audit plan set annually. Internal audit also continuously reports its observations in this respect to the Audit Committee. Internal audit's tasks include following up compliance with the company's policies, and the results of this follow-up are reported to the Board through the Audit Committee.

### Activities in 2017

In 2017, this work has focused on handling the split of the company and the financial reporting as a consequence of the distribution of Essity. A framework for internal control has been drafted and established. A self-evaluation of the controls in this framework has been performed and reported. Another development involved the co-location of accounting and reporting of several units in a shared service center, which made reporting more efficient and uniform.

## Board of Directors and Auditors



Pär Boman



Charlotte Bengtsson



Lennart Evrell



Annemarie Gardshol



Ulf Larsson



Martin Lindqvist

### **Pär Boman (1961)**

*Engineer, Economist, Hon PhD Econ*

Chairman of the Board since 2015. Chairman of the Board of Svenska Handelsbanken AB and Essity AB, and Deputy Chairman of the Board of AB Industrivärden. Board member of Skanska AB. Former President of Handelsbanken during the period 2006 to 2015.

Elected: 2010  
Class B shares: 10,000  
Independent of the company and corporate management.

### **Charlotte Bengtsson (1971)**

*MSc Civil Engineering, PhD in Steel and Timber Structures*

President of Skogforsk and Adjunct Professor in timber engineering at Linnaeus University. Board member of Södra's Research Foundation, Norrskog's Research Foundation, the Nils and Dorthi Troedsson's Research Foundation and member of the jury of the Schweighofer Prize, Austria.

Elected: 2017  
No SCA shares.  
Independent of SCA's major shareholders.

### **Lennart Evrell (1954)**

*MSc Eng. and Econ.*

President and CEO of Boliden Group. Chairman of the Board of Gruvornas Arbetsgivareförbund. Board member of Epiroc, SveMin and the Confederation of Swedish Enterprise.

Elected: 2017  
Class B shares: 4,000  
Independent of the company, corporate management and SCA's major shareholders.

### **Annemarie Gardshol (1967)**

*MSc Eng.*

President of PostNord Strålfors Group AB. Board member of Essity AB. Former Board member of Etac AB, Bygghemma AB, Ortivus AB and Semcon AB and various management positions at PostNord and Gambro AB as well as management consultant at McKinsey & Company.

Elected: 2015  
Class B shares: 2,200  
Independent of the company, corporate management and SCA's major shareholders.

### **Ulf Larsson (1962)**

*BSc Forestry*

President and CEO of SCA. Board member of The Swedish Forest Industries Federation, Handelsbanken Region Umeå, CEPI, member of the Advisory Council Västernorrland County and deputy board member of Industriarbetsgivarna. Former President of SCA Forest Products AB, 2008-2016, as well as other leading positions at SCA Skog, SCA Timber and Domänverket.

Employed since: 1992  
Class B shares: 75,000  
Independent of SCA's major shareholders.

### **Martin Lindqvist (1962)**

*Engineer and Master of Business Administration*

President and CEO of SSAB AB. Chairman of the Board of Jernkontoret. Board member Boards of Industriarbetsgivarna, Stål och Metall and the Confederation of Swedish Enterprise (deputy). Previously held senior positions, including at SSAB and NCC.

Elected: 2017  
No SCA shares.  
Independent of the company, corporate management and SCA's major shareholders.

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2017.





Lotta Lyrå



Bert Nordberg



Barbara Milian Thoralfsson



Roger Boström



Hans Wentjärvi



Johanna Wiklund Lindén

**Lotta Lyrå (1975)***MSc Econ.*

President and CEO of Clas Ohlson AB publ. Previously held senior positions within the IKEA Group, including Head of Strategy and also Head of Development in 2009-2017. Experience in the Swedish forest industry as Head of Development at Södra Timber and Sawmill Manager at Södra's Mönsterås sawmill. Former employee of McKinsey & Company.

Elected: 2017

No SCA shares.

Independent of the company, corporate management and SCA's major shareholders.

**Bert Nordberg (1956)***Engineer*

Chairman of the Board of Vestas Wind Systems A/S. Board member of Essity AB, AB Electrolux and SAAB AB. Previously held various management positions at Digital Equipment Corp. and Ericsson. President of Sony Ericsson Mobile Communications AB in 2009-2012.

Elected: 2012

Class B shares: 16,800

Independent of the company, corporate management and SCA's major shareholders.

**Barbara Milian Thoralfsson (1959)***MBA, BA*

Chairman of the Board of ColArt Holdings Ltd. Board member of Essity AB, Hilti AG and G4S Plc. Industry advisor to EQT. President of NetCom ASA 2001-2005 and President of Midelfart & Co AS 1995-2000. Former member of the Boards of AB Electrolux, Telenor ASA Cable & Wireless Plc, Orkla ASA and Tandberg ASA.

Elected: 2006

No SCA shares.

Independent of the company, corporate management and SCA's major shareholders.

**Employee representatives****Roger Boström (1971)**

*Chairman of the Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill, Timrå.* Member of the Swedish Trade Union Confederation (LO). Appointed 2013. Class B shares: 55

**Hans Wentjärvi (1963)**

*Chairman GS trade union, Rundvik Sawmill, SCA Timber* Member of the Swedish Trade Union Confederation (LO). Appointed 2017. Class B shares: 420

**Johanna Wiklund Lindén (1973)**

*Chairman Unionen, SCA Graphic Sundsvall AB/SCA Sourcing & Logistics* Member of the Council for Negotiation and Cooperation (PTK). Appointed 2017. No SCA shares.

**Employee representatives, deputies****Per Andersson (1955)**

*Swedish Paper Workers Union, dept 29, SCA Obbola AB*

Member of the Swedish Trade Union Confederation (LO). Appointed 2013. No SCA shares.

**Maria Jonsson (1966)**

*Chairman Unionen, SCA staff functions*

Member of the Council for Negotiation and Cooperation (PTK). Appointed 2017. No SCA shares.

**Stefan Lundkvist (1977)**

*Chairman of Swedish Paper Workers Union, dept 158, SCA Munksund AB*

Member of the Swedish Trade Union Confederation (LO). Appointed 2017. No SCA shares.

**Honorary Chairman****Bo Rydin**

*MSc Econ., Hon PhD Econ., Hon PhD Engineering*

**Auditors****Ernst & Young AB**

Senior Auditor: Hamish Mabon, Authorized Public Accountant

**Secretary to the Board****Jan Svedjebrant (1955)**

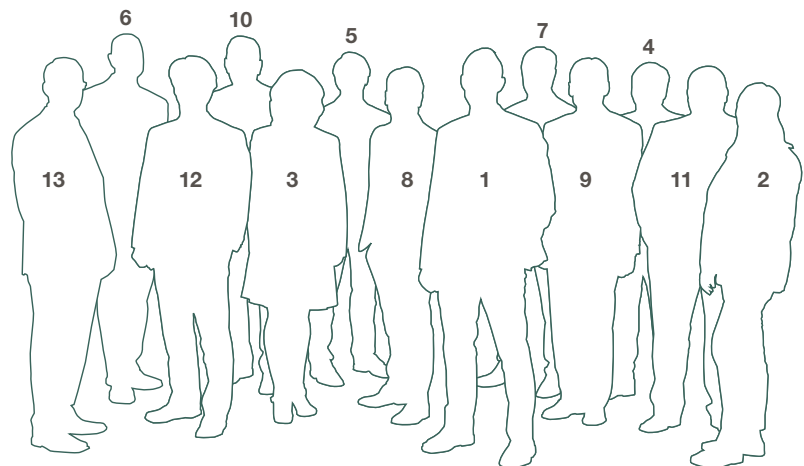
*Master of Laws*

Senior Vice President, Legal Affairs Group Function, General Counsel. Employed since: 2001. Class B shares: 6,130

## Executive Management Team



From left to right: Åke Westberg, Björn Lyngfelt, Ole Terland, Jan Svedjebrant, Ingela Ekebro, Toby Lawton, Mats Nordlander, Ulf Larsson, Jonas Mårtensson, Mats Sandgren, Mikael Källgren, Magnus Svensson and Stina Danielsson.



1.

**Ulf Larsson**

President and CEO  
*BSc Forestry*  
 Employed since: 1992  
 Class B shares: 75,000

5.

**Toby Lawton**

CFO  
*MA*  
 Employed since 2017  
 Class B shares: 1,282

9.

**Mats Sandgren**

President, Forest  
*BSc Forestry*  
 Employed since: 2008  
 Class B shares: 6,135

2.

**Stina Danielsson**

Senior Vice President,  
 Human Resources  
*BA*  
 Employed since: 2005  
 Class B shares: 406

6.

**Björn Lyngfelt**

Senior Vice President,  
 Communications  
*BSc Forestry*  
 Employed since: 1986  
 Class B shares: 4,000

10.

**Jan Svedjebrant**

Senior Vice President and  
 General Counsel Legal Affairs  
*Master of Laws*  
 Employed since: 2001  
 Class B shares: 6,130

3.

**Ingela Ekebro**

President Project Helios  
*BSc Energy*  
 Employed since: 1986  
 Class B shares: 4,365

7.

**Jonas Mårtensson**

President, Wood  
*MSc Eng.*  
 Employed since: 2005  
 Class B shares: 20,000

11.

**Magnus Svensson**

President, Sourcing & Logistics  
*MSc Eng.*  
 Employed since: 1993  
 Class A shares: 6,100  
 Class B shares: 54,380

4.

**Mikael Källgren**

President, Renewable Energy  
*BSc Energy*  
 Employed since: 2015  
 Class B shares: 125

8.

**Mats Nordlander**

President, Paper  
*Dipl. Eng.*  
 Employed since: 2015  
 Class B shares: 2,975

12.

**Ole Terland**

Senior Vice President,  
 Strategic Development  
*Doctor of Technology*  
 Employed since: 2016  
 Class B shares: 27,000

13.

**Åke Westberg**

President, Pulp  
*MSc Eng.*  
 Employed since: 1974  
 Class B shares: 5,200