

2021

# SCA Green Bond Framework



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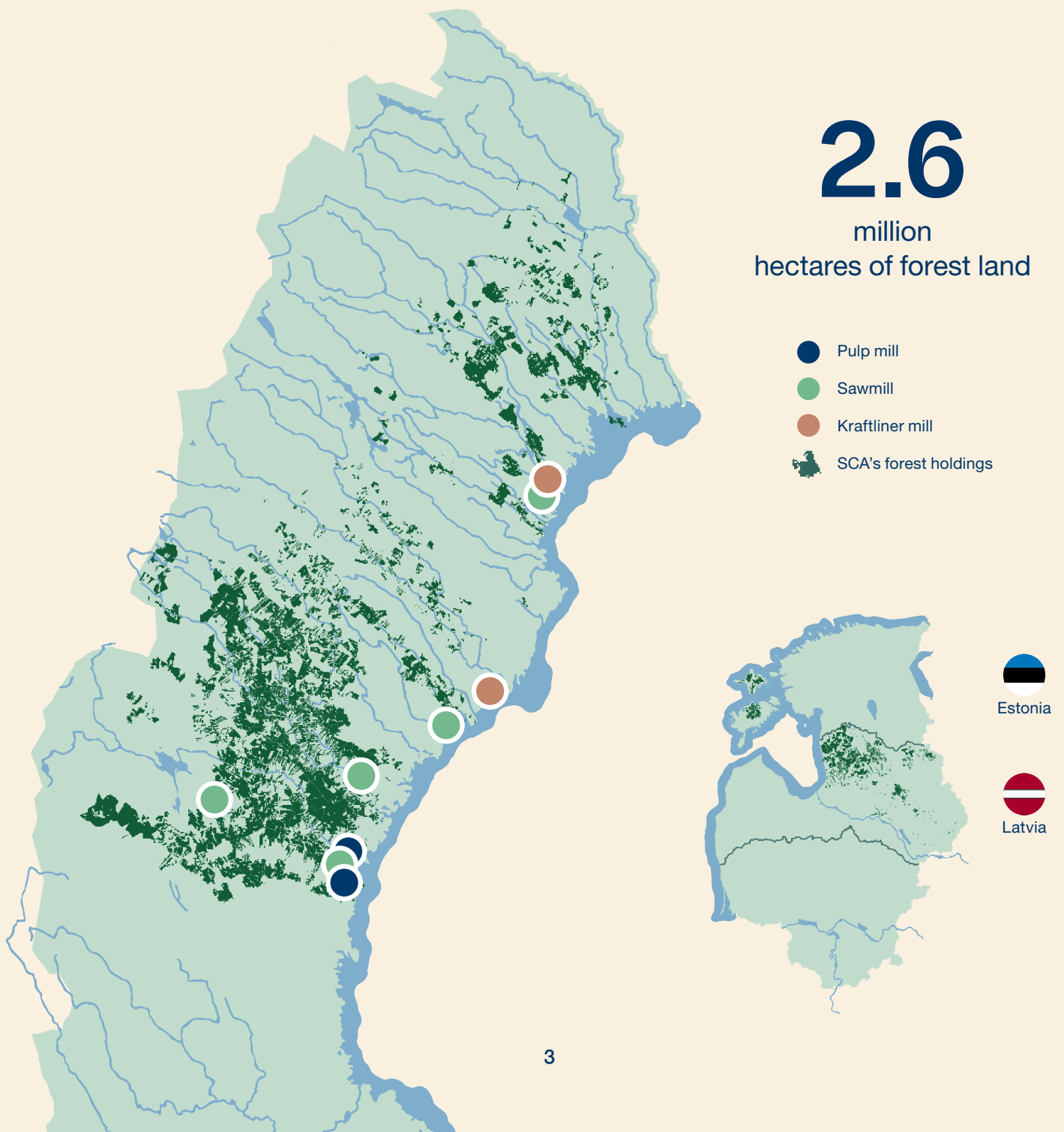
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SCA was established in 1929 through the founding of a holding company for a number of forest industry companies in Northern Sweden. Ten independent forest companies joined together in a group comprising forests, sawmills, pulp mills and power generating companies. Some milestones in SCA's history are the investment in the Östrand pulp mill in 1932, the 1950 listing on the Stockholm Stock Exchange, and the establishment of the Örtviken newsprint mill in 1958. After a period of acquisitions in the 20th century, SCA divested its packaging business in 2012. In 2017, SCA was split into two listed companies; the forest product company SCA and the hygiene company Essity. In 2021, SCA discontinued its publication paper operations. As of today SCA is Europe's largest private forest owner and a leading forest industry company.

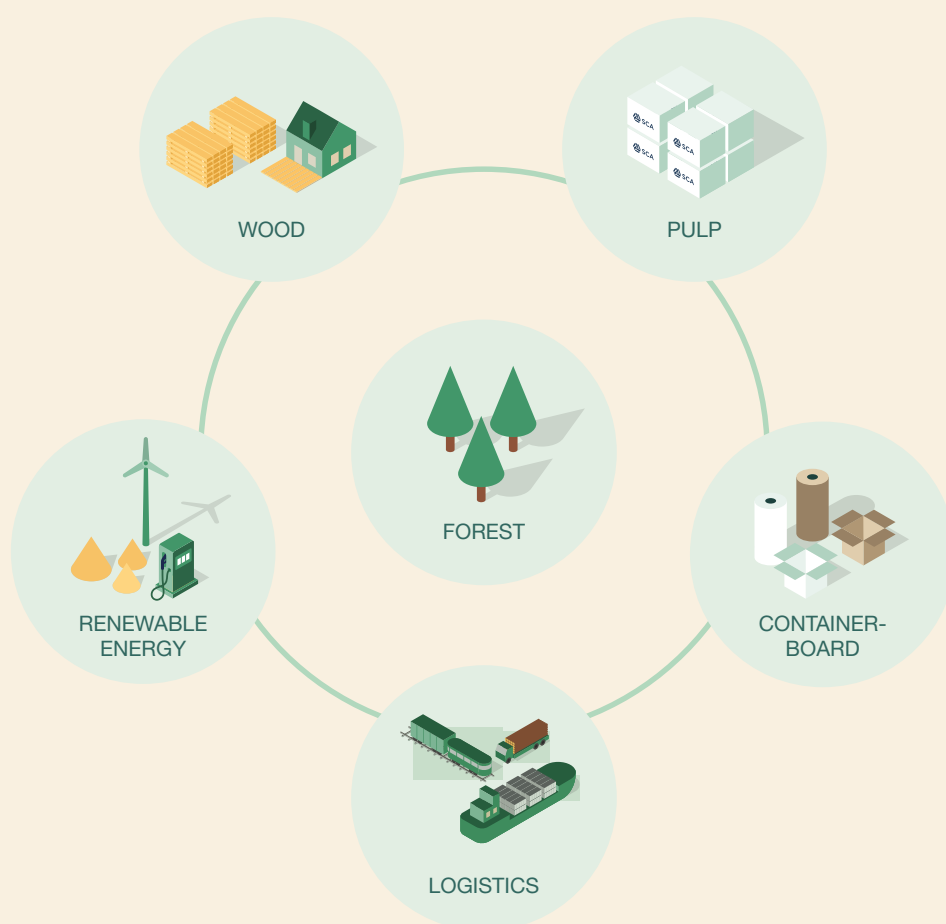


# This is SCA

SCA is Europe's largest private forest owner with 2.6 million hectares of forest in Northern Sweden and more than 40,000 hectares in Estonia and Latvia. Based on this unique resource, SCA has developed an industry that generates the maximum possible value in the forest and from the forest.



The forest is at the core of SCA's operations. SCA has built an integrated and well-invested industry around this renewable resource, utilizing and maximizing the value of the entire tree. Utilizing this raw material, SCA develops products for customers all around the world.



### Forest

The forest is at the core of SCA's operations. On this base, SCA has built an industrial ecosystem that maximizes value creation in and from the forest.

### Wood

65% of the revenue for forest owners comes from sawmills. A competitive sawmill industry is the economic engine of a forest business.

### Pulp

Any wood unsuitable for use in solid-wood products is used to make pulp. A pulp mill also produces secondary flows in the form of green chemicals, green electricity, heating and raw materials for biofuels.

### Containerboard

SCA produces containerboard – paper for transport packaging. In our integrated paper mills we also produce valuable by-products and green energy.

### Renewable energy

From the raw materials and by-products that are not used for solid-wood products, paper or pulp, SCA produces energy, green electricity, biofuels and green chemicals. SCA's forests offer favorable sites for wind power production.

### Logistics

Logistics is a core operation for a forestry company. Raw materials must be efficiently shipped to industrial facilities and products delivered to customers worldwide.

Forest, Wood, Pulp and Containerboard are segments with full reporting. Renewable energy and Logistics are reported as a part of relevant segments.



## The SCA Value Chain

The forest is at the core of SCA's operations. All of SCA's forests are managed responsibly, meeting global standards for sustainable forest management and responsible wood procurement. SCA forests are certified under Forest Stewardship Council™ (FSC™) and Programme for Endorsement and Forest Certification (PEFC™).

The integrated value chain with certified forest operations and modern production facilities allows SCA to make full use of the entire tree and thereby ensure that no part of the tree goes to waste.



SCA's forestry is certified in accordance with the requirements of the Forest Stewardship Council™ (FSC™) and the Programme for the Endorsement of Forest Certification (PEFC™).

### We use the entire tree

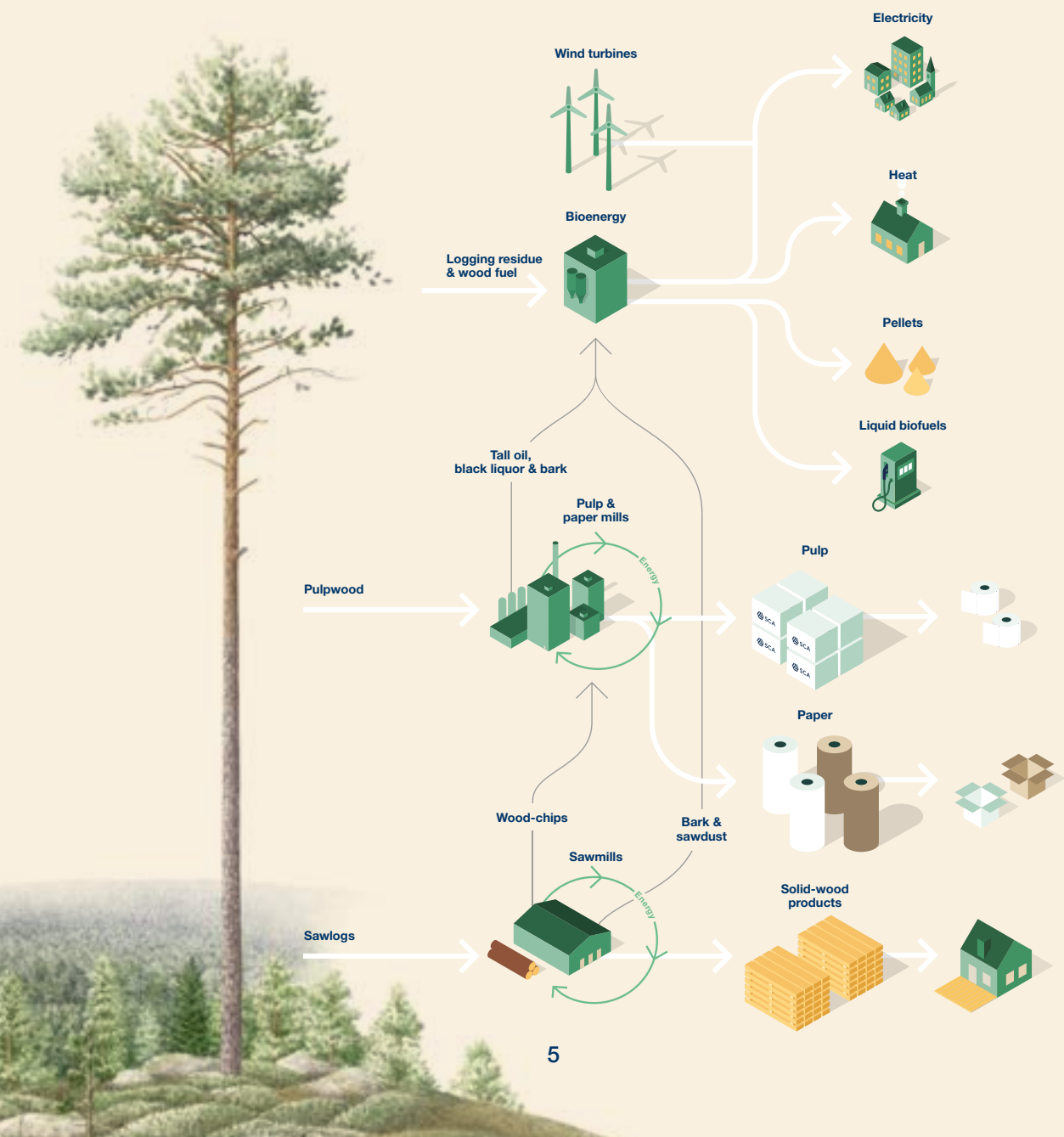
The lower part of the tree, the most valuable part, is processed in sawmills into solid wood products. More than half of the log is used for solid wood products. The remainder becomes wood chips for pulp production.

Other by-products from sawmills, such as bark and sawdust, are used in the bio-energy business to produce pellets, heat and electricity.

Logs that cannot be used for solid-wood products, together with wood chips from the sawmills, are the feedstock of the pulp and containerboard business.

Other by-products such as tall oil and turpentine, are further refined into liquid biofuels and green chemicals.

SCA's 2.6 million hectares of forest also contain a large number of locations with favorable wind conditions. SCA leases land to power producers and investors active in the area of green energy.



# Sustainability at SCA

**Sustainability is an integrated part of SCA's entire business.**

Profitable growth is a prerequisite for sustainable development, and forms – together with SCA's core values of respect, responsibility and excellence – the foundation of SCA's overall strategy.

Four areas are identified as critical in terms of SCA's contribution to sustainable development: A fossil-free world, valuable forests, efficient use of resources, and responsibility for people and the community.



## Fossil-free world

SCA generates climate benefits through growing forests that binds CO<sub>2</sub>, renewable products that replace fossil-based products and lowering emissions from its own value chain.



## Valuable forests

SCA's forests shall be at least as rich in biodiversity, nature experiences and raw material in the future as they are today.



## Efficient use of resources

All wood raw material that can be sawn is used for wood products. Timber that is not used for wood products becomes paper and pulp. Anything unsuitable for use in fiber products is used for energy.



## Responsibility for people and communities

SCA is to create a safe and positive work environment for its employees and contribute to the development of the communities where the company operates.



## Profitable growth

Long-term profitable growth is a prerequisite for sustainable development.



## Values

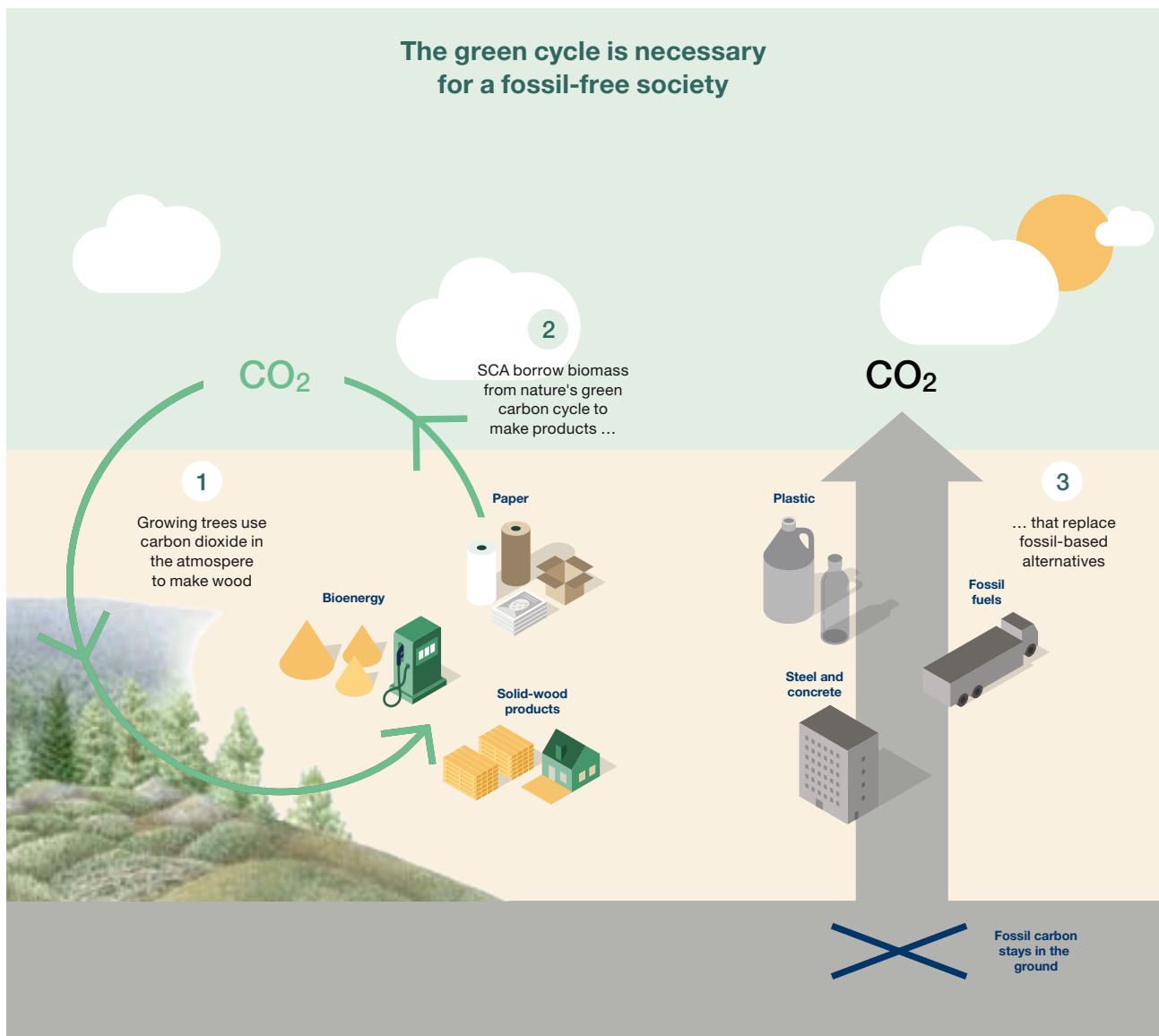
With the force of the forest, we contribute to a sustainable future.

## Fossil-free world

One of the greatest societal challenges of our time is to limit global warming to well below 2 degrees in line with the Paris Agreement. To achieve this, society must adapt and use more renewable alternatives.

Sustainably managed forests are major contributors to the goal of achieving a fossil-free world. Forests' sequestration of carbon dioxide and the effect of substitution, when for example concrete is replaced by building materials made of wood, contributes to reaching the goal of the Paris Agreement. Of the total greenhouse gas (GHG) emissions in the EU, 20% is compensated for by the European Forest Industry's positive climate effect.

Growing trees capture carbon dioxide from the atmosphere and convert it to biomass. When a tree reaches harvestable age, it is used to produce renewable materials such as lumber, pulp, containerboard and bioenergy. In many cases building materials that are produced with a severe climate impact can be substituted by biomaterials. For example, concrete can be replaced with wood-based products and fossil diesel can be substituted with bio-diesel. Eventually the carbon stored in biomass-based products will return to the atmosphere as carbon dioxide, which new trees will capture and convert to biomass. A green cycle is complete.

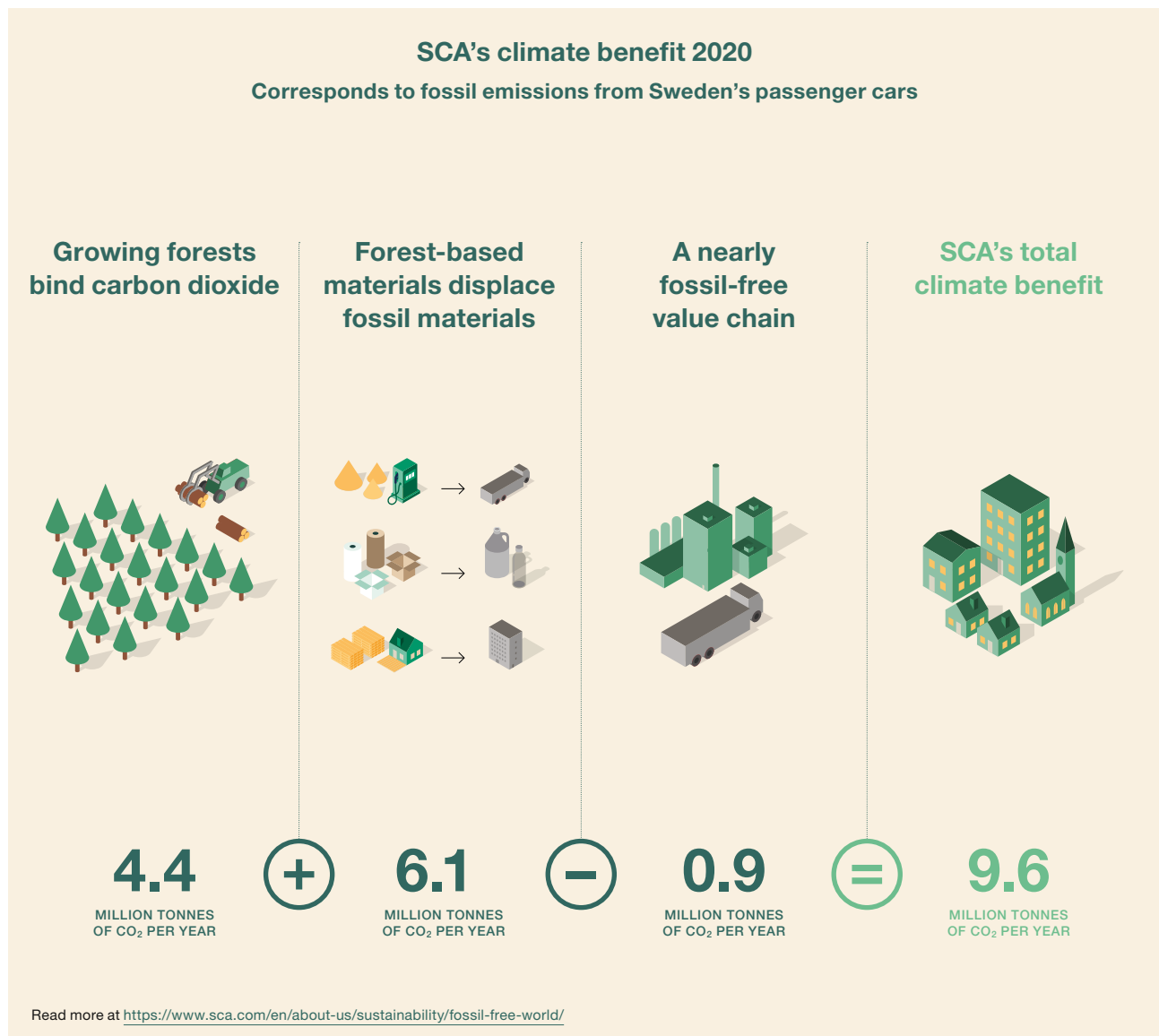


SCA's growing forest captures a net 4.4 million tonnes (Mt) CO<sub>2</sub> per year. This net growth is a result of good forest management, with strong growth in young and middle-aged forests in particular, and of a sustainable harvesting level where only part of the annual growth is harvested. Simply put, more trees are planted than harvested and combined with investments into improved seedlings, active silviculture and targeted fertilization, SCA's forests generate a better yield. A faster growing forest allows sustainably increased harvesting levels, which in turn enables more substitution. Substituting fossil-based products with renewable alternatives includes replacing plastic with paper, fossil fuel with bioenergy and concrete and steel with wood constructions,

adding an additional positive contribution by SCA, together with customers in the value chain, of 6.1 Mt CO<sub>2</sub> reduction per year<sup>1)</sup>.

While SCA's production is nearly fossil-free, there is still some fossil emissions, particularly from the transportation of raw materials to the industries, and from transportation of finished goods to customers. SCA strives to continuously reduce fossil emissions and is aiming for a fossil-free value chain. In 2020, fossil emissions amounted to approximately 0.90 million tonnes.

<sup>1)</sup> As of 2020





## Valuable forests

SCA's entire forest holding is certified under both FSC and PEFC. Approximately 50 percent of the company's wood raw material comes from our own forests and woodchips from the sawmills. SCA procure the remaining wood raw material from private family forest owners in Northern Sweden and from other forest companies. A small share is imported. All wood raw material is certified in accordance with FSC Chain of Custody and PEFC Chain of Custody standards, which provide third-party assurance of the origin of the wood. This serves to verify that no wood from unacceptable sources enter SCA's supply chains, including

- illegally harvested wood;
- wood harvested in violation of traditional and human rights;
- wood from forests in which high conservation values are threatened by management activities;
- wood from forests being converted to plantations or non-forest use, and
- wood from forests in which genetically modified trees are planted.

SCA strives to maximize the proportion of wood certified to FSC and PEFC forest management standards, by encouraging its wood suppliers to certify their forest operations.

SCA's forest operations systematically integrate nature conservation measures in all forest management activities. By retaining buffer zones, groups of trees, dead wood and a large number of other measures, the forest's flora and fauna is protected. SCA's ambition is to make sure forests are at least as rich in biodiversity, nature experiences and raw material in the future as they are today.

There are, however, species that are adversely affected by forest operations despite good conservation measures. These are species with specific habitat requirements, for example, species that are adapted to fire and need burned earth or wood to regenerate, or species that depend on old, dying deciduous trees. Other species may need long continuity where conditions are stable and undisturbed for many years. SCA's approach to biodiversity conservation is to maintain and restore such critical habitats in the forests.

Large parts of SCA's forest holding is also reindeer grazing land, land where reindeer graze primarily in the winter. SCA adapts its forest operations to facilitate reindeer herding in close consultation with the indigenous Sami people that herd reindeer on SCA's land. Some 50 Sami communities have customary right to herd reindeer on SCA's land. Consultations, based on the principle of Free, Prior and Informed Consent (FPIC), cover issues such as the time for harvesting, site preparation, fertilization and choice of tree species when planting new forest.



### Responsible forest management

Through responsible fiber sourcing in combination with the protection of biodiversity

#### Responsible fiber sourcing



100% of the wood raw material is chain of custody certified, the minimum requirement under the FSC Controlled Wood Standard. 81% is harvested in accordance with higher nature conservation standards.

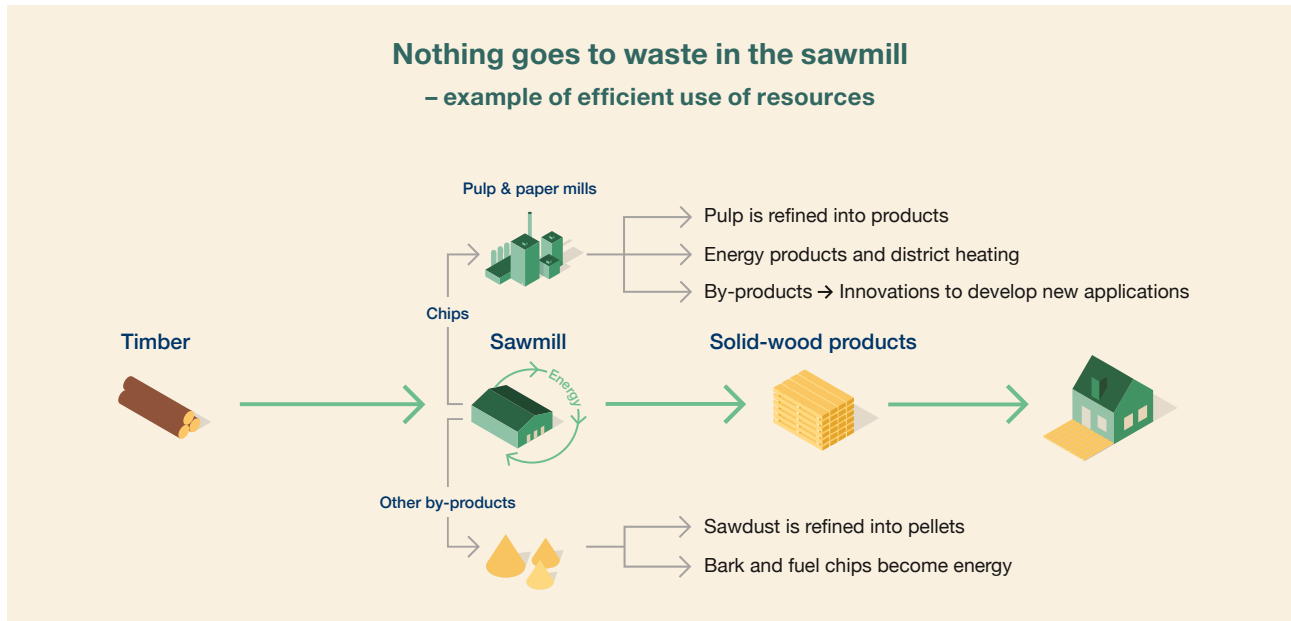
#### Habitats for SCA's species commitment



## Efficient use of resources

SCA has made great progress in terms of making use of raw materials, by-products and side streams. However, potential still remains to increase total benefit in the value chain through innovations. Fifty years ago, sawdust was sent to landfill. Thirty years ago, sawdust was incinerated to produce heat. Today, sawdust is used in pellets production, and pellets are used as an advanced fuel in chemical recycling by the pulp industry.

Technology is now under development to manufacture advanced biofuels and green chemicals from sawdust. Raw materials are also used more efficiently. By using computed tomography, image processing and artificial intelligence to see inside logs, it is possible to take full advantage of each log's unique potential when manufacturing solid wood products. This yields higher value and less waste. The entire tree is utilized efficiently.



## Responsibility for people and the community

SCA continuously strives to be a safe and inclusive employer where employees achieve their full potential in a work environment with respect for each other, the community and the nature.

SCA works systematically to achieve a health and safety culture where all employees are engaged and look out for each other. As part of the ZERO program, SCA is working towards a mature health and safety culture throughout the company – and to reduce the number of accidents towards zero.

SCA makes an active contribution to vibrant local communities and to regional development. SCA contributes positively in both direct and indirect ways, through job opportunities, revenues from timber sales for private forest owners, and work opportunities for contractors and sub-suppliers. Finally yet importantly, SCA's forests provide important income and nature experiences from hunting, fishing and recreation.



## Group targets 2030 – Sustainability

One of the targets is to increase SCA's climate benefit from roughly 10 to 15 Mt CO<sub>2</sub> per year by 2030. Moreover, SCA has set the goal of halving fossil emissions in the value chain by 2030, which is well aligned with science-based targets and in line with the Paris Agreement's 1.5 degree target.

The long-term objective is a fossil-free value chain. To achieve this goal, SCA will improve the green carbon cycle even further.

This should be achieved by increased forest growth as well as increased forest holdings primarily in Estonia and Latvia.

In addition, SCA enables others to invest in wind power production on SCA's land, and the target is to increase from today's 5.4 TWh to 11 TWh.



### Values

**Target:** All employees comply with SCA's Code of Conduct.

**How:** All employees are trained in the Code of Conduct with the ambition of no violations of the Code. Purchasing from suppliers who share SCA's values, where more than 98% of contract suppliers have approved SCA's Supplier Standard and where audits are conducted of supplier operations using a risk-based selection.



### Profitable growth

**Target:** Leading total shareholder return including dividends.

**How:** Leading performance, stable and growing dividend to shareholders, strong financial positions with investment grade credit rating.



### Fossil-free world

**Target:** Increase SCA's climate benefit from 10 to 15 million tonnes of CO<sub>2</sub>.

**How:** Increased net growth in SCA's own forests that capture CO<sub>2</sub> from the atmosphere. A total fossil-free value chain with a first target to reduce fossil emissions by 50% by 2030. Increase the availability of renewable products through volume growth and innovations that offer greater climate benefits. Increase wind power production on SCA's land to 11 TWh.<sup>1)</sup>



### Valuable forests

**Target:** 100% of wood raw material is to come from responsibly managed forests.

**How:** 100% Chain of Custody (CoC) certified wood raw material, with a minimum requirement of FSC Controlled Wood. 75% of wood raw material is from certified forests or sourced raw materials that are harvested by SCA using SCA retention methods. SCA's own forestry management is to be certified by FSC and PEFC. SCA's forests shall be at least as rich in biodiversity, nature experiences and raw material in the future as they are today.



### Efficient use of resources

**Target:** Zero waste, meaning nothing goes to waste.

**How:** High raw material yield in every process to ensure the entire tree is used. Increase the processing level for the company's waste application by finding new uses. Improve energy efficiency through efficiency enhancements of at least 50 GWh per year<sup>2)</sup>. (ESAVE program 2020–2025) and by minimizing emissions and waste.



### Responsibility for people and the community

**Target:** An accident-free and healthy SCA.

**How:** Zero workplace accidents. A mature health and safety culture corresponding to phase 4 (interdependent) on the DuPont Bradley Curve™. Leaders who can address future needs and employees who grow and develop. Contribute towards vibrant local communities.

<sup>1)</sup> Enabling wind production on SCA's land is not a climate impact that is accounted for in disclosure of SCA's climate benefit, since it is others' investment.

<sup>2)</sup> The target is based on the company's energy consumption in 2020 and may be adjusted due to changes in energy consumption after the discontinuation of publication paper operations at Ortviken.

## The UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by all 193 United Nations member states in 2015. The goals guide governments, civil society and the private sector in a collaborative effort for change towards sustainable development and played an important role in the work to develop SCA's sustainability platform.

Based on the sustainability platform, SCA makes a direct or indirect contribution to all 17 Sustainable Development Goals formulated by the UN.

In this Framework, each Green Project category has been mapped to the SDGs in accordance with the High-Level Mapping to the Sustainable Development Goals published by ICMA.





# SCA Green Bonds



SCA was established in 1929 through the founding of a holding company for a number of forest industry companies in Northern Sweden. Ten independent forest companies joined together in a group comprising forests, sawmills, pulp mills and power generating companies. SCA is today Europe's largest private forest owner with 2.6 million hectares of forests in Northern Sweden and more than 40,000 hectares in Estonia and Latvia. The forests are managed responsibly to provide the foundation for a sustainable supply of raw materials to the company's industries. The forests are and have always been at the core of SCA's operations. SCA has built an integrated and well-invested industry around this renewable resource, utilizing and maximizing the value of the entire tree. Utilizing this raw material, supplemented by responsible wood procurement from other forest owners, SCA develops products for customers all around the world that enables sustainability further down the value chain.

SCA's financing activities include green loans and sustainability links in the credit facilities. By setting up this document ("Green Bond Framework" or "Framework"), SCA aims to further diversify the green financing abilities and utilize debt capital to support SCA's sustainability efforts and a transition towards a fossil-free and circular society via the funding of material Green Projects. SCA's projects are not only aimed at reducing

negative impact but also at increasing positive environmental impact. SCA strives to follow best practices and this Framework, aligned with the Green Bond Principles published in June 2018 by the International Capital Market Association (ICMA), defines the investments eligible for financing by green bonds issued by SCA ("Green Bonds").

Moreover, it outlines the process used to identify, select and report on eligible projects and the set-up for managing the Green Bond proceeds. The terms and conditions of the underlying documentation for each Green Bond shall provide a reference to this Framework. Other financial products such as loans and revolving credit facilities may also reference to this Framework.

SCA has worked with Danske Bank and SEB to develop the Framework. Cicero Shades of Green has provided a second party opinion confirming the alignment with ICMA's GBPs. SCA has assigned an independent verifier to provide an annual statement confirming that the proceeds from the Green Bond issuance have been allocated to projects in line with the Green Bond Framework.

2021-05-27

Ulf Larsson  
Chief Executive Officer

Toby Lawton  
Chief Financial Officer

Hans Djurberg  
Sustainability Director



# Use of proceeds and Green Projects

## Allocation of net proceeds

An amount equal to the net proceeds of the Green Bonds will finance or refinance, in whole or in part, investments undertaken by SCA or its subsidiaries that promote the transition towards a low-carbon and environmentally sustainable society ("Green Projects"), in each case as determined by SCA in accordance with the Green Project categories defined in the next pages. Green Projects will form a portfolio of assets eligible for financing and refinancing with Green Bonds.

## Financing and refinancing

Net proceeds can finance both existing and new Green Projects financed by SCA or its subsidiaries. New financing is defined as Green Projects financed after the bond has been issued, and refinancing is defined as Green Projects financed before the bond issuance.

The distribution between new financing and refinancing will be reported in SCA's annual Green Bond reporting. Operating expenditures qualify for refinancing with a maximum three-year look-back period before the issuance year of the Green Bond. Green assets shall qualify without a specific look-back period if, at the time of issuance, they follow the eligibility criteria listed below.

## Exclusions

Green Bond net proceeds will not be allocated to projects dedicated to fossil energy production, fossil fuel infrastructure, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. Furthermore, SCA is not directly or indirectly involved in the following unacceptable activities in forestry operations:

- a. Illegal logging or the trade in illegal wood or forest products
- b. Violation of traditional and human rights
- c. Destruction of high conservation values
- d. Significant conversion of forests to plantations or non-forest use
- e. Introduction of genetically modified organisms
- f. Violation of any of the ILO Core Conventions

## Green Project categories

**1**

### Valuable forests

Forest land, Tree nurseries,  
Responsible forest management,  
and Research and Development

→ page 15–16

**2**

### Fossil-free world

Renewable products,  
Renewable energy, Energy Efficiency,  
and Clean transportation

→ page 17–18

**3**

### Efficient use of resources

Circularity and  
Wastewater management

→ page 19–20

1

## Valuable forests

The financing or refinancing of the ownership, acquisition, tree nurseries and responsible forest management, as well as related research and development programmes, all of which must provide impactful climate and environmental benefits.

Acquisition of a forest holding company may include other activities out of scope to SCA, such as farm land. SCA is likely to divest such additional assets. For the avoidance of doubt, only the value of Green Projects (as defined in this framework) within the acquired company can be eligible for Green Bond financing.

### Sub project category

#### Forest land

- Forest land certified or in the process of being certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the endorsement of Forest Certified (PEFC).

#### Tree nurseries

- High quality seedlings from SCA nurseries: With a total capacity of over 100 million seedlings per year, mainly pine, spruce and contorta pine. All seedlings planted in SCA's forests come from the company's nurseries. Roughly, half of the annual production supply other forest owners.

SCA's forests are certified in accordance with international forest management certification systems – Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) – which aim to ensure responsible forest management. SCA contributes, together with other social, environmental and economic stakeholders, in developing FSC's and PEFC's standards and operations.

The tree nurseries in Bogrundet and Wifstamon constitutes SCA's NorrPlant seedling operation. SCA has capacity to grow more than 100 million seedlings per year, enough to cover about 50,000 hectares – an area the size of 100,000 football fields. Around half of SCA's seedlings are planted on SCA's land, with the remainder sold to other forest owners. Forest seedlings from NorrPlant are one of the many important links in the value chain that shape SCA's forestry and industrial operations in Northern Sweden.

SCA also offers planting services after harvesting forests on behalf of private forest owners, and has introduced a regeneration guarantee whereby SCA takes full responsibility for the regrowth of the forest.



## Sub project category

### Responsible forest management

- Silvicultural operations (e.g. soil preparation, planting, pre-commercial thinning).
- Restoration of native forests and conservation of biodiversity.

*Expenditures attributable to responsible forest management may be aggregated over a look-back period equal to the last calendar year.*

### Research and Development

- Investments in the development of working methods and technology for forest management, silviculture, and artificial intelligence such as remote sensing to improve forest management planning and avoid negative impact on environmental values.

Every year, 40–50 million seedlings are planted in SCA forests, covering some 20 000 hectares. The young forests are subject to one or two pre-commercial thinning in the first 15 years in order to secure vitality and growth.

The preservation of biodiversity is the most important environmental target in the management of SCA's forests. Areas that provide vital habitats for sensitive flora and fauna are excluded from forest management through voluntary set-asides or harvested using alternative forms of forest management that promote biodiversity. Such management includes various continuous forestry methods such as selective cutting and shelterwood as well as measures to recreate habitats and valuable substrates, with prescribed burning as one example.

In 2020, SCA introduced a new approach to increase the precision of SCA's biodiversity conservation measures. Work is based on the Swedish Red List of species and their status published by the Swedish Species Information Centre in 2020. 203 species on the Red List have a significant presence in SCA forests and are adversely impacted by forest operations. We refer to these 203 species as SCA's species commitment. The focus of the work moving forward is to ensure that the habitats used by these species are available in SCA's forests.

Responsible and active forest management has over time resulted in SCA having well-managed forests, which contribute to biodiversity and nature experiences, where increasing volumes of renewable raw materials are being harvested at the same time as standing volume is increasing.



## 2

## Fossil-free world

The financing or refinancing of projects that utilize renewable energy to significantly reduce or eliminate the use of fossil fuels, and projects that increase substitution from fossil alternatives, including the establishment, acquisition, expansion and upgrades/modifications of facilities, associated infrastructure and the production technologies related to the production of renewable products and renewable energy, as well as the financing or refinancing of investments into energy efficiency measures in relation to an existing asset or as a stand-alone investment and investments into zero emission vehicles and machinery.

### Sub project category

#### Renewable products

- Production technologies and processes related to the production of renewable and biodegradable products using wood certified to FSC and/or PEFC forest management standards or procured in accordance with the FSC Controlled Wood standard and contribute to increased substitution of fossil-based materials.
- R&D related to renewable and biodegradable products as well as processes, and technologies with the purpose of replacing fossil-based and other non-renewable materials with bio-based alternatives.

#### Renewable energy

- Converting to renewable energy, replacing fossil fuels, for process related energy needs.
- Renewable electricity production, such as turbines for co-generation from excess heat in the industrial process.
- Infrastructure to deliver surplus heat from the company's plants and facilities as district heating to local municipalities.
- Energy and fuels from forest operations and industry by-products that are not suitable for use as fresh fiber.
- Investing in wind or solar-based energy production.

SCA contributes to limit global warming and works proactively to reduce climate impact. This takes various forms; through reducing fossil emissions in the value chain, increasing forest uptake of CO<sub>2</sub> from the atmosphere and through the company's products, which are renewable and replace fossil alternatives.

SCA's target is to increase climate benefit from 10 to 15 million tonnes of CO<sub>2</sub> between 2019 and 2030. A large part of this is to contribute in substituting fossil-based products with renewable alternatives e.g. replacing plastic with paper, fossil fuel with bioenergy and concrete and steel with wood constructions adding an additional positive contribution by SCA, together with customers in the value chain. The current contribution is 6.1 million tonnes CO<sub>2</sub> per year.

SCA also enables others to become fossil-free by providing access to renewable energy in various forms.

SCA provides access to renewable energy by delivering surplus heat from the company's production plants as district heating to local municipalities, selling pellets and unprocessed biofuels, selling co-generated electricity, selling tall oil to process into biofuels and by leasing out land to enable wind power production.

The expanded pulp mill in Östrand with its turbine for co-generation contributes to a surplus of green electricity of 0.4 TWh, corresponding to a midsize power station, expected to increase to 0.6–0.7 when operating to its full capacity.

In 2020, district heat deliveries amounted to 0.3 TWh, corresponding to heating almost 30,000 homes. At the end of 2020, the wind power capacity installed on SCA land by other companies was 5.4 TWh per year which is expected to increase to 9 TWh by 2023.



2

Fossil-free world

Sub project category

Energy efficiency

- Energy efficiency in production lines and operations, such as heat recovery and exchange systems, frequency converters, upgrading production units. Investments should improve energy efficiency in the respective area by at least 30 per cent, while minimizing long-term negative climate impact and potential rebound effects as well as negative climate impact from technology used.
- Reducing absolute use of energy through investments in research and new replacement technologies.

SCA's objective is to make the entire value chain fossil-free. One sub-target is to reduce fossil emissions in the value chain by 50% between 2019 and 2030, which is in line with the Paris Agreement's 1.5°C target.

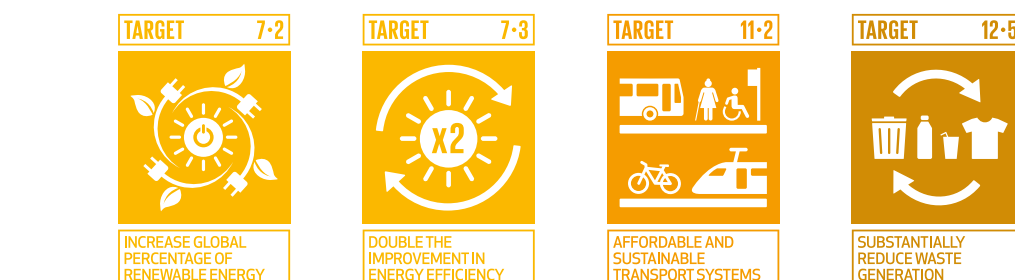
Through systematic work with efficiency enhancements and a transition to biofuels, emissions from SCA's industries have halved since 2010 and industrial processes are currently 95% fossil-free.

Since 2003, SCA's ESAVE energy efficiency program has contributed to energy savings and improved efficiency. The target for the current 2020–2025 program period is to implement energy-saving measures of at least 35 GWh per year based on current energy consumption. ESAVE comprises investing in energy efficient technical solutions, focusing on continuous improvements and increasing awareness among employees.

Some 35% of fossil emissions in the value chain are from own operations and from purchased electricity, while about 65% are from sources outside the company's facilities.

In 2020, the greenhouse gas emissions across the value chain amounted to approximately 0.9 million tonnes of CO<sub>2</sub>. The investment to increase kraftliner capacity at Obbola will remove another source of fossil oil of approximately 8,000 m<sup>3</sup> per annum, an equivalent of 20 kton CO<sub>2</sub> per annum in emission reduction.

The single largest source is transportation, which accounts for 50% of total emissions. SCA is striving in various ways to reduce these emissions, for example through energy efficiency measures, choice of fuel, eco-driving and the continuous tactical and operational optimization of the logistics system, including choice of transport mode, choice of transport route, larger vessels, load utilization, etc.





## 3

## Efficient use of resources

The financing or refinancing of solutions contributing to the reduction and reuse of waste, in addition to management and improvement of wastewater treatment facilities, associated infrastructure, and water efficiency measures. This financing can take place in the form of expansion or upgrades of existing solutions, or in new process development if a material increase in resource circularity is ensured.

### Sub project category

#### Circularity

- Waste management systems and technologies contributing to an efficient management of waste, for the purpose of reducing, recycling and reuse all types of waste generated through SCA's processes and products. R&D related to renewable and biodegradable products, and processes and technologies to replace fossil-based and other non-renewable materials with bio-based alternatives.
- Projects for better waste management supporting pollution prevention such as reduction of discharges of pollutants into water or air.
- Soil remediation and removal and replacement of harmful substances in products and materials.

One of the Group targets for 2030 is zero waste, meaning nothing goes to waste. SCA strives to make use of the entire tree and all parts of its waste streams. The most valuable part of the tree is processed in the sawmills into wood products. Some of these become window components, painted cladding or shelves. More than half of the log is used for wood products.

The remainder becomes chips for pulp production or sawdust that is processed into pellets. In addition to finished goods, SCA's mills generates by-products, such as bark, and waste streams that contain, for example, lignin in wood raw materials. Most waste streams, such as ash, green liquor sludge and lime sludge is today used for soil stabilization or is handled as waste, while by-products are largely used in energy production.

SCA's target is to increase the added value and reduce handling costs for these streams by finding new uses. All units in the Group are to continuously work to minimize waste by using efficient processes, more recycling and by investigating new uses for their waste streams. SCA's units are also actively monitoring their energy usage, setting targets for improving their energy efficiency and taking steps to realize the targets.



3

Efficient use of resources

Sub project category

Wastewater management

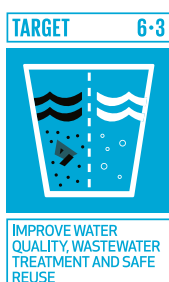
- Wastewater treatment facilities and technologies.
- Protection of freshwater sources, such as measures to secure groundwater levels and to prevent the discharging of pollutants into water and land.
- Improvement of water-use efficiency, such as reuse of water and to reduce leakage. Waste and waste streams.

Minimizing waste is one of the sub-targets of the Group target Zero waste by 2030. SCA takes a life cycle approach and works proactively with resource efficiency.

SCA's industrial ecosystem utilizes by-products and waste streams insofar as this is possible. Solid waste is mainly recycled through use as raw material in other processes, construction materials or for energy recovery and is primarily bio ash, sludge, organic waste and plastic. SCA participates in or supports several projects to develop more value creating uses for the company's waste streams. Only a small quantity of material used, approximately 0.2% of the produced product, cannot currently be reused, and is sent to landfill or is treated as hazardous waste. Hazardous waste is primarily waste oil, but also relates to organic solvents, batteries and strip lights. Materials that are currently sent to landfill also include "lime gravel". SCA is striving to minimize these fractions.

SCA's total emissions are influenced by the level of production, product mix and uniform production. All production facilities possess environmental permits, which regulate emissions. SCA's industrial operations require an environmental permit in accordance with the Swedish Environmental Code. Permits granted stipulate limits for the scope of operations and the permitted impact on surroundings.

Air emissions comprise all combustion units at SCA's production sites, regardless of fuel, as well as emissions from purchased electricity and thermal energy. When energy is supplied to an external facility, air emissions are reduced in relation to the energy amount delivered. Emissions to air are reported as dust, NOX, SO<sub>2</sub> and fossil CO<sub>2</sub>. SCA's effluent water is divided into cooling water and process water. Cooling water, which constitutes 66% of water usage, has only been heated and has not been in contact with the process flow. Effluent water is mechanically treated to remove suspended solids, sand and particles, and the subsequent biological treatment which also reduces dissolved solids and pollutants that affect chemical oxygen demand (COD). Emissions to water are reported as COD, suspended solids, AOX, nitrogen and phosphorous.



## Green Project evaluation and selection process

### Allocation of Green Bond proceeds

SCA's overall management of environmental, social, corporate governance and financial risks is a core component of SCA's decision-making processes. SCA's risk management strategy is stated in the policies, guidelines and instructions. The process for evaluation and selection of Green Projects will follow the same standard decision-making process.

### Green Project evaluation and selection process

Green Projects shall comply with the eligibility criteria defined under the Green Project categories. The process of evaluating and selecting eligible Green Projects as well as the allocation of Green Bond proceeds to eligible Green Projects comprise the following steps:

- i. Sustainability experts and representatives within SCA evaluate potential Green Projects, their compliance with the Green Project categories, and their environmental benefits.
- ii. A list of the potential Green Projects is presented to SCA's Sustainability Council ("SC"). The SC is solely responsible for the decision to acknowledge the project as green, in line with the Green Project criteria. Green Projects will be marked as green in a dedicated "Green Register".  
A decision to allocate net proceeds will require a consensus decision by the SC. The decisions made by the SC will be documented and filed.

### Sustainability Council (SC)

The SC is chaired by the Chief Financial Officer and includes the following members at green financing discussions and decisions:

- Sustainability Director
- Chief Financial Officer
- Senior Vice President, Communications
- Senior Vice President, Human Resources
- Head of Business Control
- Group Treasurer

The SC convenes four times a year or when otherwise considered necessary. For the avoidance of doubt, the SC holds the right to exclude any Green Project already funded by Green Bond net proceeds. If a Green Project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Projects.



## Management of proceeds

### Tracking of Green Bond net proceeds

SCA will use a Green Register to track the allocation of net proceeds from Green Bonds to Green Projects. The purpose of the Green Register is to ensure that Green Bond net proceeds only support the financing of Green Projects or to repay Green Bonds. An external auditor appointed by SCA will review the management of proceeds. The Green Register will form the basis for impact reporting.

### Temporary holdings

Unallocated Green Bond net proceeds may temporarily be placed in the liquidity reserve and managed accordingly by SCA Treasury.

### Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.





# Reporting and transparency

**SCA will annually and until maturity of the Green Bond issued, provide investors with a report (Green Bond Report) describing the allocation of proceeds and the environmental impact of the Green Projects. The report will be made available on SCA's website together with this Green Bond Framework.**

## Allocation reporting

Allocation reporting will include the following information:

- i. A summary of Green Bond developments
- ii. The outstanding amount of Green Bonds issued
- iii. The balance of the Green Projects in the Green Register (including any temporary investments and Green Bond repayments) and the available headroom in the value of the Green Projects (if any)
- iv. The total proportion of Green Bond net proceeds used to finance new Green Projects and the proportion of Green Bond net proceeds used to refinance Green Projects (defined as Green Projects financed before the bond issuance)
- v. The total aggregated proportion of Green Bond net proceeds used per Green Projects Category

## Impact reporting

The impact reporting aims to disclose the environmental impact of the Green Projects financed under this Framework, based on SCA's financing share of each project. The impact report will also disclose what environmental objectives the Green Projects contribute to.










As SCA can finance a large number of smaller Green Projects in the same Project Category, impact reporting will, to some extent, be aggregated.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis.

The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the table on the next page.





Green Project categories	Key Performance Indicators (KPIs)
<b>Valuable forests</b> <div>   </div>	<b>Forest land</b> <ul style="list-style-type: none"> <li>• Forest area (hectares)</li> <li>• Net annual growth (m<sup>3</sup>)</li> <li>• Net carbon sequestration (tonnes of CO<sub>2</sub>e).</li> </ul> <b>Tree nurseries</b> <ul style="list-style-type: none"> <li>• Number of seedlings produced</li> </ul> <b>Responsible forest management and Research and Development</b> <ul style="list-style-type: none"> <li>• Description of investments made (as applicable)</li> </ul>
<b>Fossil-free world</b> <div>    </div>	<b>Renewable products</b> <ul style="list-style-type: none"> <li>• Substitution effect by SCA's renewable and biodegradable products (tonnes of CO<sub>2</sub>e emissions)</li> <li>• Quantity and type of renewable and biodegradable products produced, as applicable</li> </ul> <b>Renewable energy</b> <ul style="list-style-type: none"> <li>• Annual GHG emissions avoided (tonnes of CO<sub>2</sub>e emissions)</li> <li>• Annual renewable energy generation (MWh per year)</li> </ul> <b>Energy efficiency</b> <ul style="list-style-type: none"> <li>• Annual energy savings (MWh)</li> <li>• Annual greenhouse gas savings (tonnes of CO<sub>2</sub>e emissions)</li> </ul> <b>Clean transportation</b> <ul style="list-style-type: none"> <li>• Number of electric/low-carbon vehicles, machinery and/or equipment financed, as applicable</li> <li>• CO<sub>2</sub>e emissions reduced compared to conventional solution</li> </ul>
<b>Efficient use of resources</b> <div>     </div>	<b>Circularity</b> <ul style="list-style-type: none"> <li>• Efficient management of waste (tonnes per year)</li> <li>• GHG savings (tonnes of CO<sub>2</sub>e emissions), as applicable</li> </ul> <b>Wastewater management</b> <ul style="list-style-type: none"> <li>• Emissions of suspended solids treated or avoided (tonnes)</li> <li>• Reduction in discharges of pollutants to water (tonnes of phosphorus, nitrogen and other pollutants per year)</li> <li>• Water savings (m<sup>3</sup> per year)</li> </ul>

## External review

### Second party opinion

Cicero Shades of Green has provided a second opinion to this Framework verifying its credibility, impact, and alignment with ICMA's Green Bond Principles 2018.

### External assurance

SCA has assigned an independent verifier to provide an annual statement that an amount equal to the Green Bond

net proceeds has been allocated to Green Projects or to temporary holdings.

### Publicly available documents

The Green Bond Framework and the second party opinion is publicly available on SCA's website together with the annual Green Bond Report and the limited assurance from the external assurer, once those are prepared and available.

Photo: Torbjörn Bergkvist and Michael Engman. Illustrations: Fellow Designers, Saga-Mariah Sandberg and Nadja Nörbom.

Wood fiber – a few millimeters long,  
a fraction of a millimeter wide, if managed responsibly,  
will last forever and is the foundation for  
an industrial ecosystem.