

ANNUAL AND SUSTAINABILITY REPORT

2020



**A leading
industrial ecosystem
driven by the force
of the forest**



Contents

Introduction

- 2 This is SCA
- 4 The year at a glance
- 6 CEO's message
- 8 Value chain
- 10 A global and local company
- 12 Forest and climate
- 14 Biodiversity
- 16 Trends

Strategy and operations

- 18 Strategy
- 24 Forest
- 30 Wood
- 36 Pulp
- 40 Containerboard
- 44 Renewable energy
- 46 Logistics
- 48 Sustainable development
- 50 Fossil-free world
- 52 Valuable forests
- 54 Efficient use of resources
- 56 Responsibility for people and the community
- 58 The share and shareholders

Board of Directors' Report

- 60 Board of Directors' Report
- 65 Sustainability reporting in accordance with the Annual Accounts Act
- 66 Risks and risk management
- 71 Corporate governance
- 78 Presentation of the Board of Directors and Auditors
- 80 Presentation of the Executive Management Team

Financial statements and notes

- 82 Contents
- 84 Consolidated statements and notes
- 126 Parent Company statements and notes

Sustainability facts

- 136 Value creation
- 137 Strategic priorities and Group targets
- 141 Governance and materiality
- 144 Values
- 147 Profitable growth
- 148 Fossil-free world
- 151 Valuable forests
- 153 Efficient use of resources
- 156 Responsibility for people and the community
- 159 Social data
- 160 Environmental data
- 162 About the Sustainability Report

Other

- 163 Signatures
- 164 Auditor's report
- 167 Limited Assurance Report on the Sustainability Report
- 168 GRI Index
- 170 Financial multi-year summary
- 171 Non-financial multi-year summary
- 172 Definitions and glossary
- 173 About the Annual General Meeting
- 174 SCA's performance

The scope of the Sustainability Report in accordance with the Swedish Annual Accounts Act is described on page 65. The Sustainability Report according to GRI is summarized in the GRI content index on pages 168–169. The Sustainability facts section starts on page 135, and describes SCA's sustainability work in more detail.



THIS IS SCA

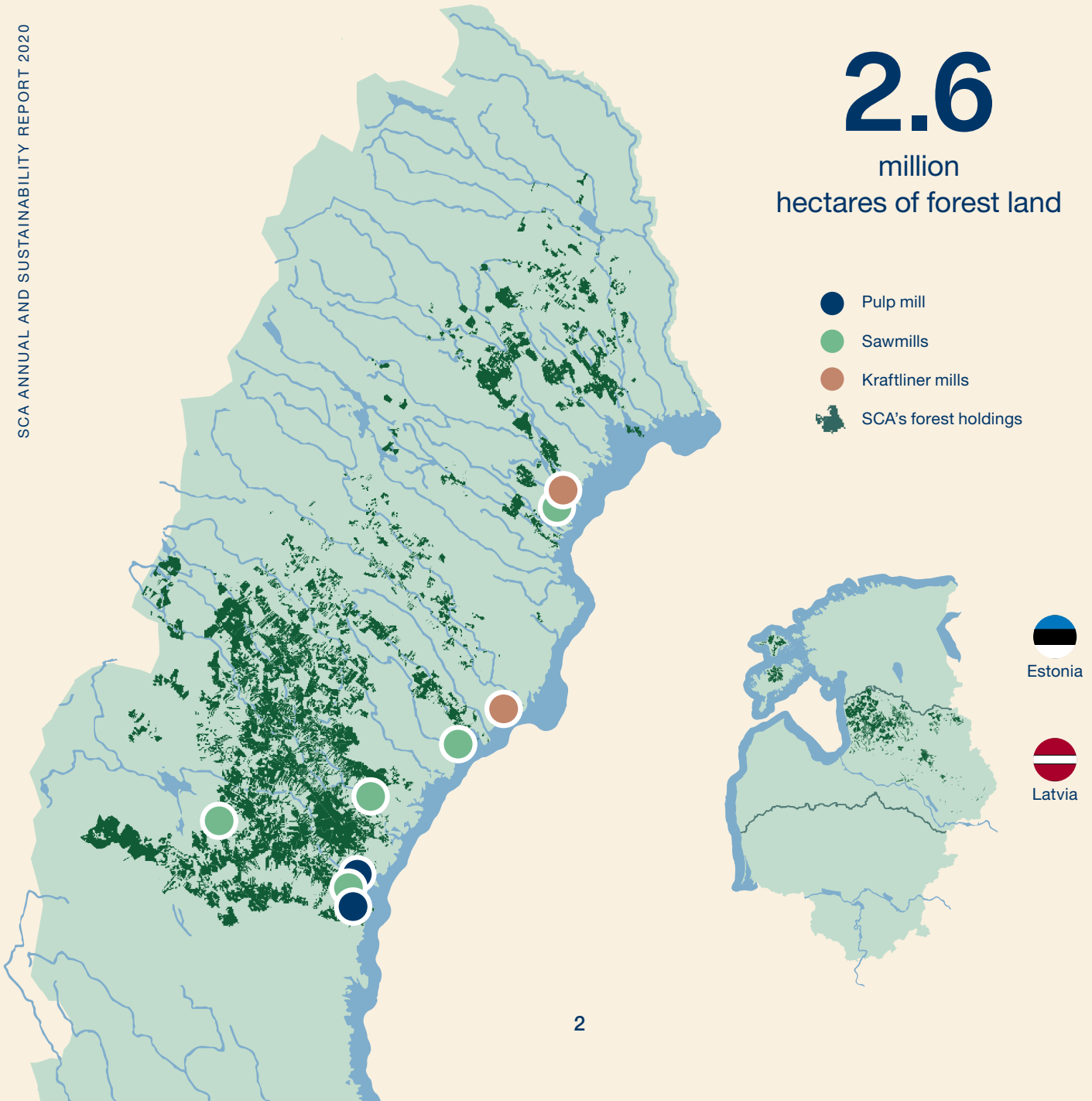
Europe's largest private forest owner

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.

SCA ANNUAL AND SUSTAINABILITY REPORT 2020

2.6
million
hectares of forest land

- Pulp mill
- Sawmills
- Kraftliner mills
- SCA's forest holdings

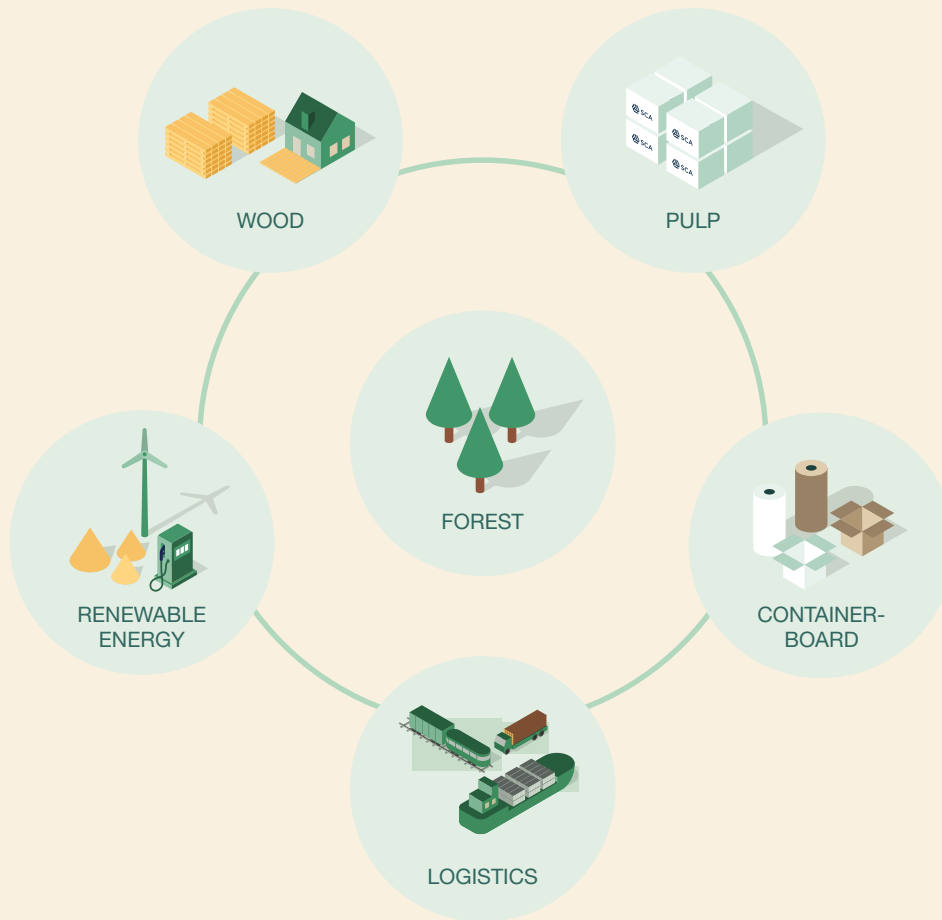




THIS IS SCA

This is SCA

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.



SCA ANNUAL AND SUSTAINABILITY REPORT 2020

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 year at a glance

In 2020, SCA took significant steps towards a business structure, which will create even greater value over time.

Net sales

18,410
SEKm

EBITDA¹⁾

4,440
SEKm

EBITDA margin¹⁾

24%

Earnings per share¹⁾

3.19
SEK

Proposed dividend per share

2.00
SEK

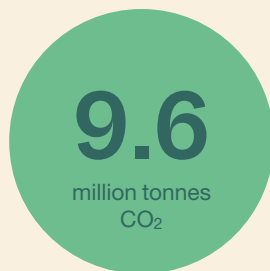
¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations. The reported result can be found in the Consolidated financial statements and notes on page 82.

Net sales, share of Group



- Forest SEK 6,486m, 26%²⁾
- Wood SEK 6,296m, 25%²⁾
- Pulp SEK 4,431m, 18%²⁾
- Paper SEK 7,916m, 31%²⁾

SCA's climate benefit 2020



In 2020, SCA's climate benefit was 9.6 million tonnes of CO₂, which corresponds to emissions from Sweden's passenger cars.

SCA's total shareholder return 2020



SCA's total shareholder return (TSR) amounted to 51% in 2020.

SCA's total shareholder return since 2017



SCA creates value through long-term, sustainable and profitable growth. SCA's total shareholder return (TSR) from June 2017 until 2020 was 138%.

²⁾ Share of net sales before elimination of intra-Group sales

Key figures

SEKm	2020	2019
Net sales	18,410	19,591
EBITDA ¹⁾	4,440	5,319
EBITDA margin, % ¹⁾	24.1	27.2
Operating profit ¹⁾	2,839	3,703
Operating margin, % ¹⁾	15.4	18.9
Profit for the period ¹⁾	2,239	2,847
Earnings per share, SEK ¹⁾	3.19	4.05
Proposed dividend per share, SEK	2.00	0.00
Operating cash flow	2,688	2,922
Strategic capital expenditures	1,414	1,256
Capital employed	79,834	77,107
Industrial return on capital employed, % ¹⁾	5.4	11.9
Net debt/EBITDA ¹⁾	1.7x	1.6x
Average number of employees	4,196	4,253
Accidents, LTA per million hours worked	5.6	7.4
Climate benefit, million tonnes of CO ₂	9.6	10.5
Total shareholder return (TSR), %	51	41

¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations in 2020 and the effect of changed accounting method for the valuation of forest assets in 2019.

Key events

In 2020, SCA took important steps to transition the company towards operations and products with good prospects for growth and long-term profitability:

Discontinuing of publication paper

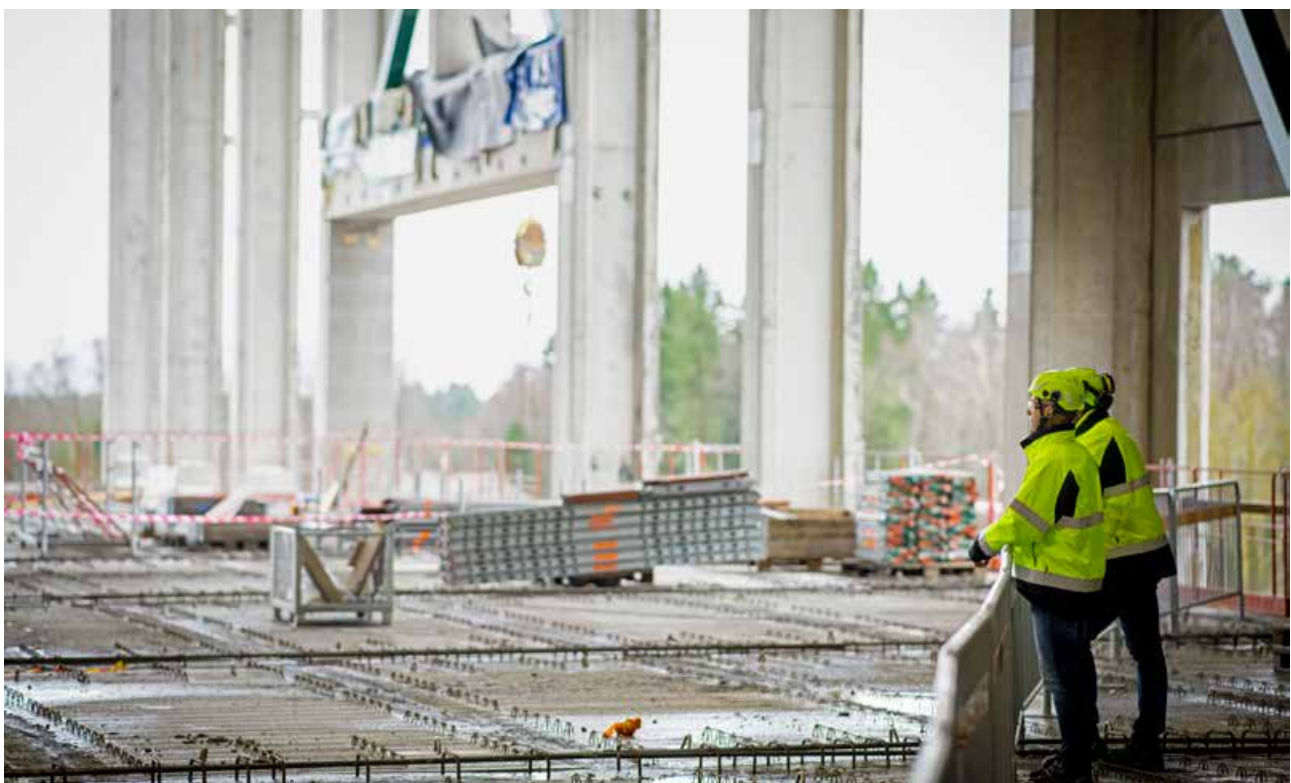
In September, SCA decided to discontinue its publication paper operations. 800 employees were affected by the decision, primarily at the Ortviken paper mill.

Investments in pulp

SCA is investing SEK 1.45bn in the production of 300,000 tonnes of chemi-thermomechanical pulp (CTMP) at the Ortviken industrial site in Sundsvall.

Investments in containerboard

At the Obbola paper mill near Umeå, the investment to increase the production of containerboard, paper for transport packaging, is ongoing. SCA is investing SEK 7.5bn to increase the production of kraftliner from 450,000 to 725,000 tonnes per year.



The investment is ongoing at the Obbola paper mill to increase the production of kraftliner.



We are building SCA for the future

The year 2020 was exceptional in many ways. The coronavirus pandemic has affected all of us. Health and safety is a top priority in SCA and we were quick to introduce restrictions and measures to avoid the spread of the virus at our workplaces, protecting risk groups and safeguarding our operations. So far we have been very successful. Absenteeism at SCA was lower than normal during the year. Production and customer deliveries have been maintained in the best possible way and we performed three major maintenance stops without increasing infection levels at our workplaces or in local communities.

Due to the uncertainty surrounding the impact of the coronavirus on the global economy and on SCA's operations, SCA decided not to pay any dividend for 2019. Our ambition, however, is to pay shareholders a stable and increasing dividend and this ambition stands firm.

Focus on profitable growth

In 2020, we decided to discontinue the publication paper segment, a segment where SCA has been active for more than 60 years. The reason for this was the increased digitalization in society. Over time, publication paper has been replaced as a medium by digital alternatives such as tablets and smartphones, and we have witnessed a reduction in the publication paper market by more than 5% per year over the past 15 years. Demand fell dramatically with the outbreak of the pandemic and 30% of the market disappeared overnight. Our assessment is that structurally, demand will continue to fall also after the pandemic.

We have a well-invested and competitive industry that leverages our forest resources. All of our focus, and our resources, is now on growth products with favorable future prospects. The Östrand pulp mill, which has doubled its capacity and was taken into use in 2018, has stabilized its production at a high level during the year. We are investing in a new dry sorting line and in world-leading technology for digital sorting at our sawmill in Bollsta. The ongoing project to build a new paper machine in Obbola to manufacture high-quality packaging paper – Kraftliner – is progressing according to schedule and budget, despite the current pandemic.

During the year, we also made the decision to invest in a new line at the Ortviken industrial site to produce 300,000 tonnes of chemi-thermomechanical pulp (CTMP) primarily for use in the hygiene and packaging industries. This investment will further strengthen our position in the Pulp segment.

Our investment projects in expanding product categories and markets are creating the conditions to boost profitability for SCA.

They also contribute to a more sustainable society and ensure that we can become even better at utilizing our forest raw materials from Northern Sweden. Our investments aim to strengthen our integrated value chain and create higher long-term value in and from our forests. This benefits both SCA, as Europe's largest private forest owner, and other forest owners in the region.

Leading total shareholder return

We are building an SCA that is better prepared to face the future, with the aim that an investment in the company will yield favorable returns over time. Since 2017, SCA has generated a total shareholder return exceeding 100%.

Alongside the goal of delivering leading total shareholder return to owners, we adopted a number of long-term Group targets during the year that will guide us in our strategic priorities. These targets include a 50% increase in climate benefits from our business by 2030, climate benefits that are already equivalent to the emissions from Sweden's passenger cars.

A growing forest resource

The forest is at the very core of SCA and is our unique asset. This renewable resource is used to build our business and value – and our forests are growing.

In 2020, we continued to acquire forest in the Baltic states. We have now completed almost half of the program with the aim for SCA to own 100,000 hectares of forest land in the Baltic states by 2024. This will give us a solid foundation to develop our business in the region, both in terms of managing our strongly growing forest resources and purchasing timber from other forest owners.

We manage our forests with the greatest care to enable them to grow as effectively as possible. Our forest survey in 2019 found greater standing volume and faster growth than previously calculated. In 2020, we created a new harvesting calculation based on the new data about our forests.

A harvesting calculation is a simulation of the forest's development over more than a century assuming several conditions, including consideration for nature conservation, a reasonably uniform harvesting and a stable or growing standing volume over time. The harvesting calculation indicated that we can gradually increase harvesting by 25% already during the next five-year period, corresponding to just over one million cubic meters. A sustained high level of commitment to active forest management will mean we can further increase harvesting in our forests going forward.



CEO'S MESSAGE

“Our focus is now entirely on growing product areas.”



We support the UN Global Compact and its principles.

Sustainable forestry

Increased growth and harvesting will not only lead to higher revenue and higher forest valuation. It will also mean more CO₂ is bound in our growing forests and that more renewable raw material can become products to substitute those with a bigger carbon footprint. By managing and using a growing forest resource, we maintain coal and oil in the ground and effectively counteract negative climate change.

Since we first conducted a survey of our forests at the end of the 1940s, standing volume has increased by 50% and growth by more than 100%. In addition, we now harvest more than double the amount of forest each year compared to the 1950s. Correctly managed, the forest is an unlimited and completely renewable resource.

However, the use of wood from our forests must not damage its other values. Preserving the biodiversity of the forest is a top priority.

This year, we undertook comprehensive development projects to give our biodiversity conservation efforts greater precision. We identified the flora and fauna in our forests that are adversely impacted by forest operations when general nature conservation measures are applied. We analyzed the habitats and other

conditions that these species need and established a working approach whereby we systematically ensure access to the habitats required by these species. This is done by identifying areas of the forest that we set aside from operations and by creating habitats that are becoming less common in our forests.

Finally, we must also protect the forest's other values, not least as a wonderful place for recreation and nature experiences.

Valuable forests, in all respects, is one of the overarching Group targets adopted by SCA in 2020. These long term Group targets reflect the expectations of stakeholders and society and guide us to where we want to be in 2030.

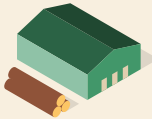
Welcome to SCA's forests!

Ulf Larsson
President and CEO



We use the entire tree

SCA has built an industrial ecosystem that maximizes value creation in the forest and from the forest through renewable products and a resource-efficient value chain.



Sawmills

The most valuable part of the tree is processed in the sawmills into solid-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 woodchips for pulp production or sawdust that is processed into pellets. The bark is used in energy production.



Bioenergy

Energy used by SCA's plants comes almost exclusively from bioenergy. By-products from the production process are used to produce heat and electricity. SCA also produces energy for external customers – green electricity, district heating, unrefined and refined biofuels.



Pulp and paper mills

SCA's fiber based industry produces pulp and paper. The pulp and paper mills are supplied with wood from the forests that cannot be used for solid-wood products, and with woodchips from the sawmills. In addition to pulp, a kraft pulp mill also produces large amounts of renewable energy. The bark is used for energy production, heat is recycled and steam is used to produce electricity. By-products, such as tall oil and turpentine, are further refined into biofuels and green chemicals.

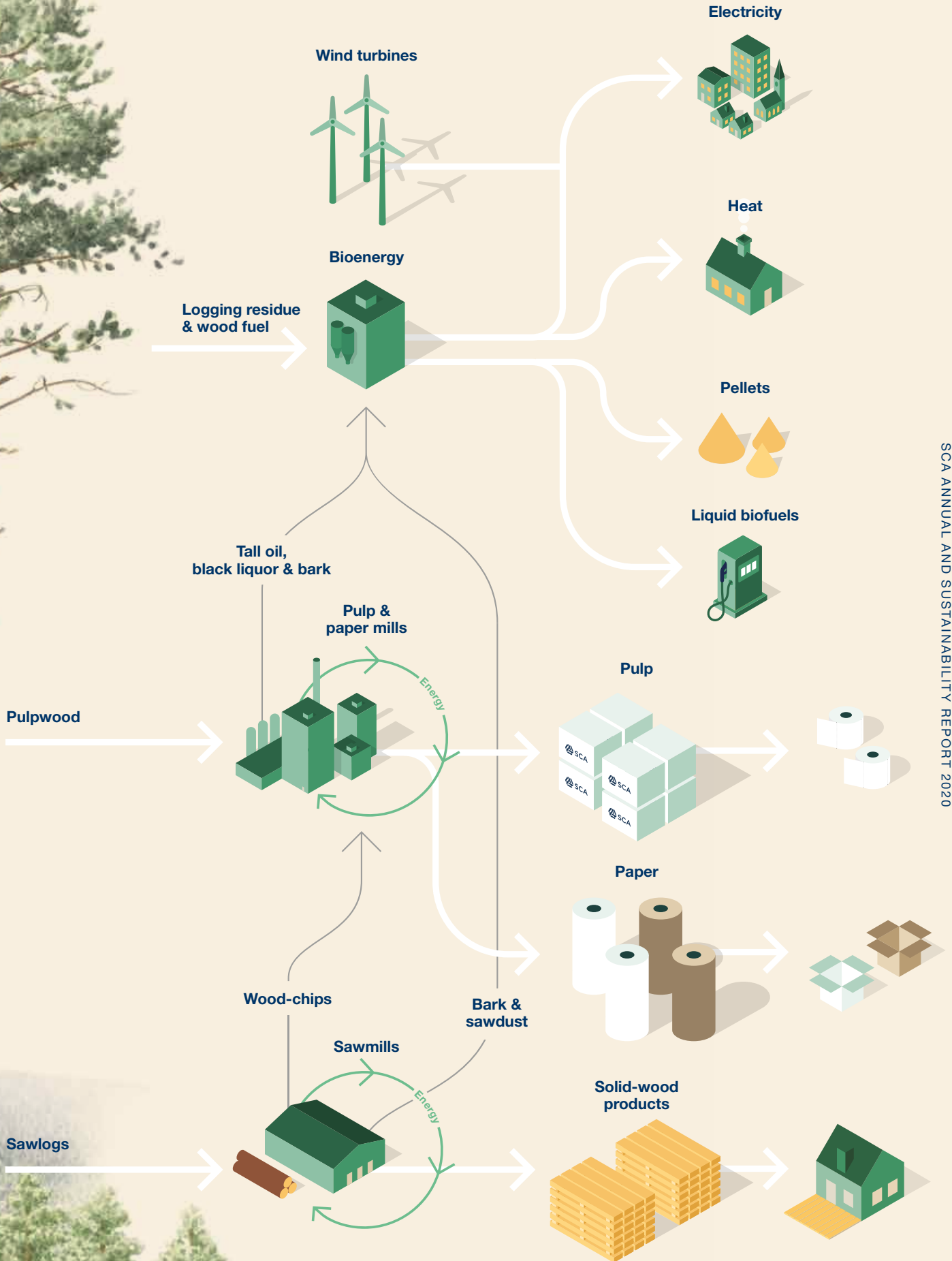


Wind power

SCA's 2.6 million hectares of forest contain a large number of locations with favorable wind conditions. SCA develops wind power projects and leases land to the power producers and investors in green energy that generate and sell green electricity.



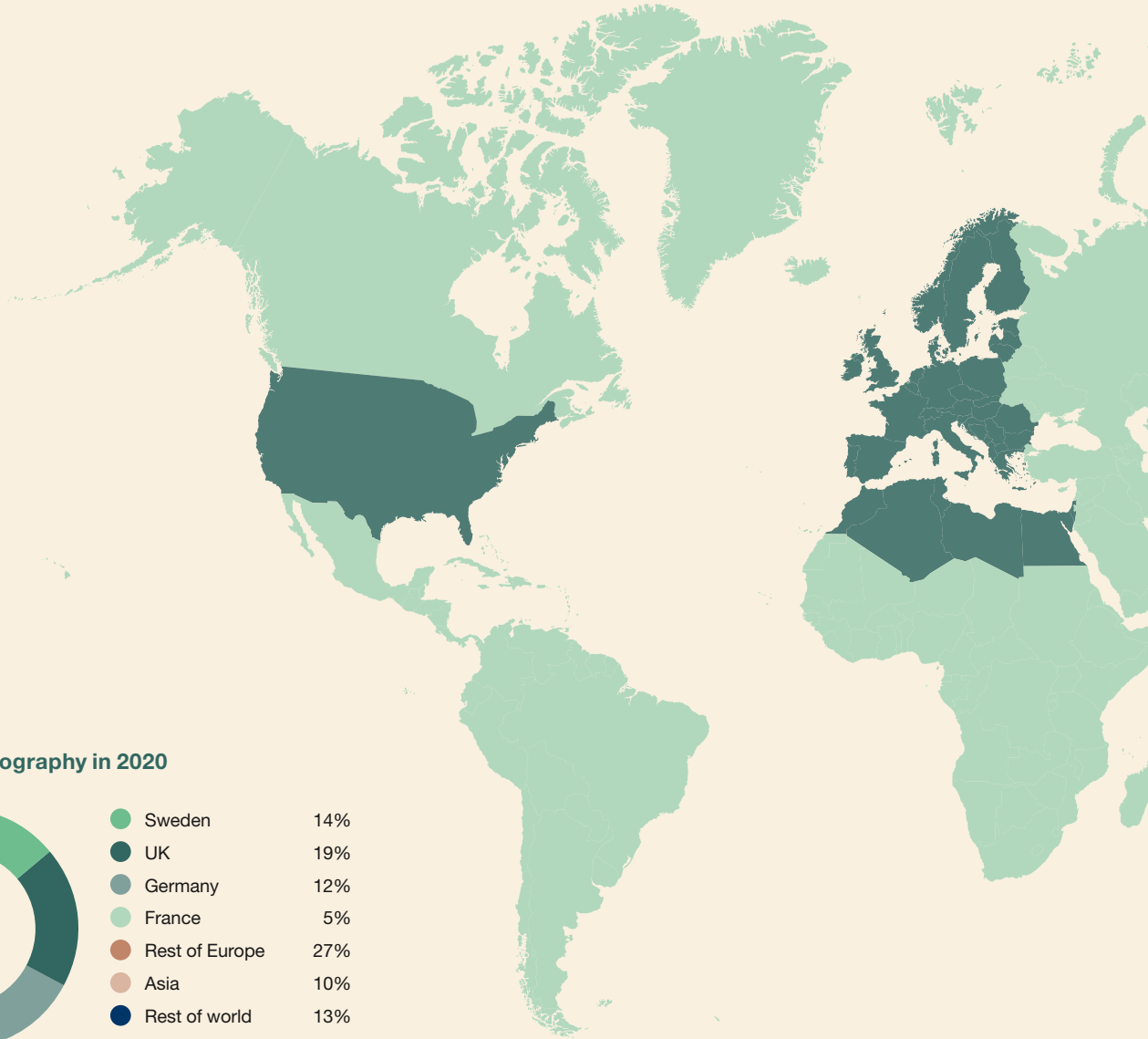
VALUE CHAIN



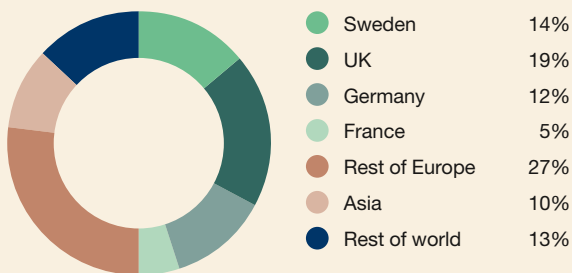


SCA in the world and

Products demanded by customers across the globe are manufactured from the raw material found in the forests of Northern Sweden. However, the aim is not to sell to as many countries as possible. Instead, SCA seeks out the markets and customers where the company's products can generate the greatest value and where SCA can gain a significant and strategic position.

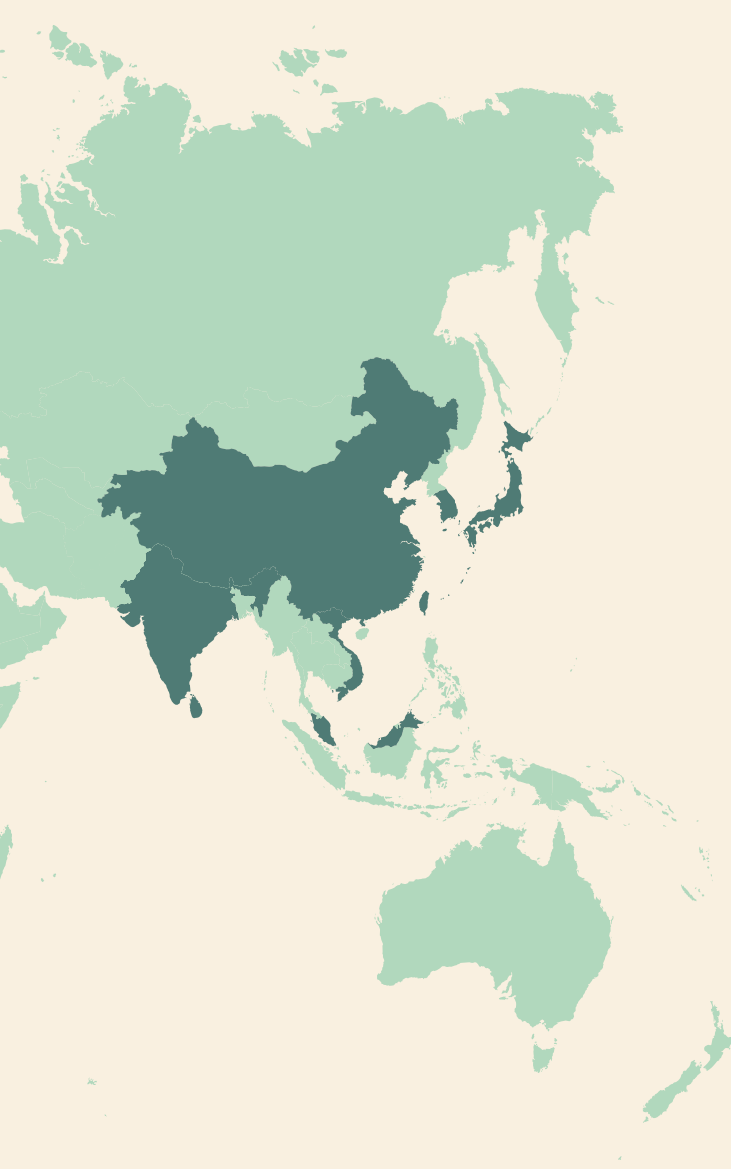


Net sales by geography in 2020





local communities



Vibrant local communities

SCA is an important source of economic activity and welfare in Northern Sweden. In addition to creating jobs for employees and contractors, SCA purchases timber from private forest owners and products and services from a range of local suppliers.

Disbursements in 2020





SCA's contribution to a fossil-free society

1

CO₂

Binds, net

4.4

Mt CO₂

Growing forests capture and bind CO₂ – active forest management increases growth, for example through improved seedlings, active silviculture, contorta pine and fertilization.

Fertilization

Contorta pine

Active silviculture

Improved seedlings

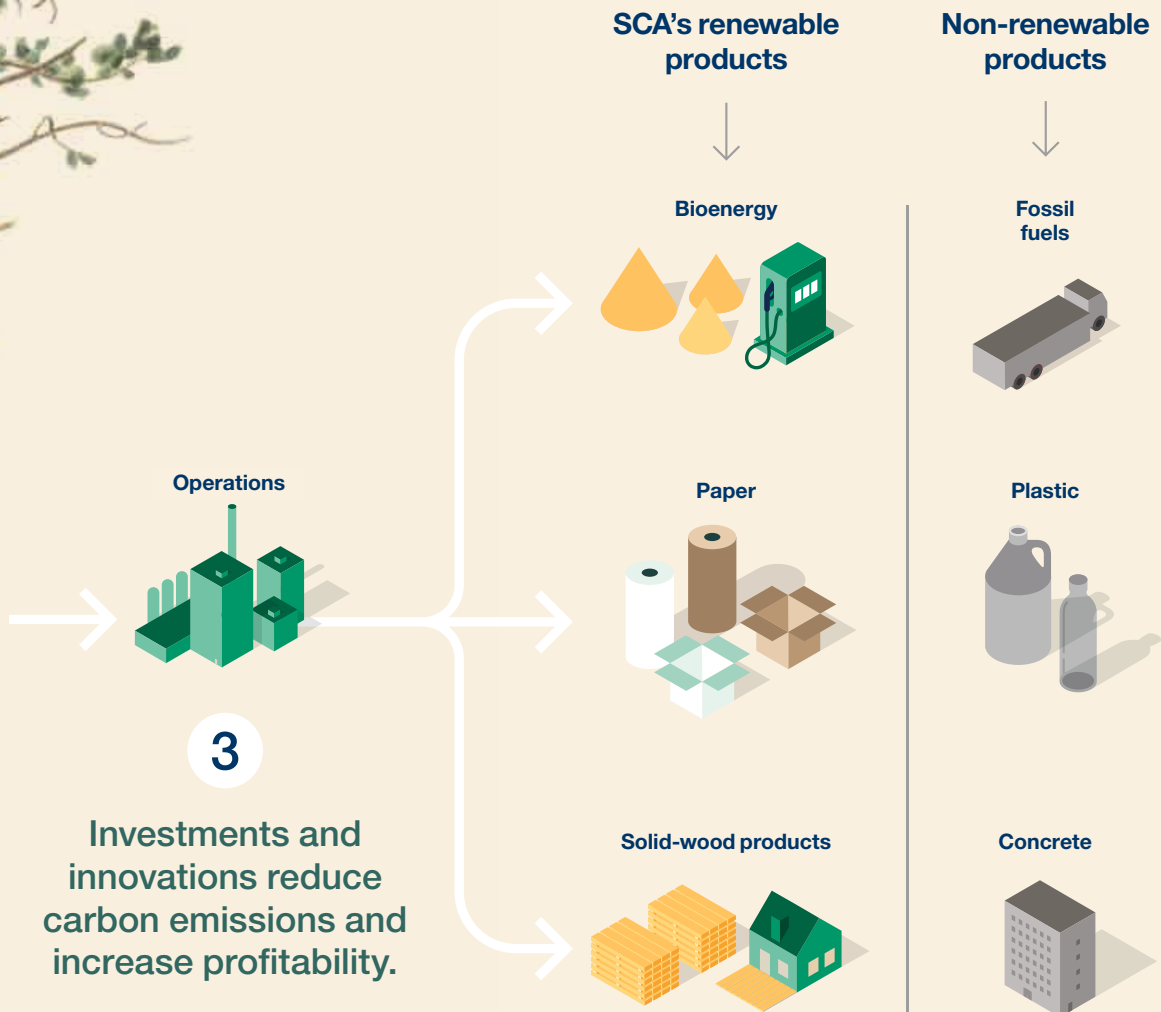


FOREST AND CLIMATE

2

Higher growth enables more substitution – renewable alternatives replace fossil-based products and allow us to maintain carbon in the ground.

Replaces
6.1
Mt CO₂



3

Investments and innovations reduce carbon emissions and increase profitability.

Low emissions
0.9
Mt CO₂

In 2020, SCA's climate benefit was 9.6 million tonnes of CO₂, which corresponds to emissions from Sweden's passenger cars.

SCA ANNUAL AND SUSTAINABILITY REPORT 2020

For more information, refer to Sustainability facts on pages 148–149.



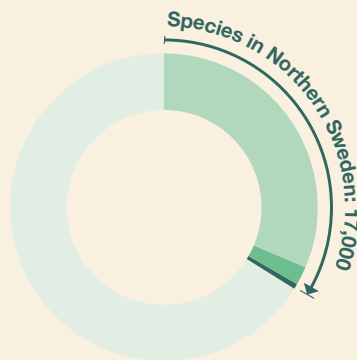
How SCA protects forest biodiversity

SCA's forest operations seek to reconcile a high level of production of valuable timber with other important forest values, particularly biodiversity. Among the great diversity of flora and fauna, SCA has identified 203 species on the Swedish Red List in its forests that are adversely impacted by forest operations applying general nature conservation measures. SCA takes particular responsibility to protect these species, predominately fungi, mosses and lichen, as well as insects. We refer to this as SCA's species commitment.

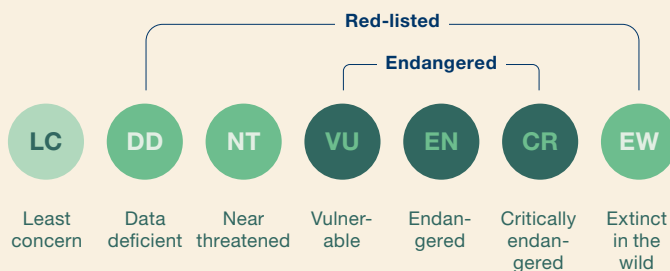
SCA ANNUAL AND SUSTAINABILITY REPORT 2020

Flora and fauna in Sweden

Total: 50,000



- Northern Sweden, Red List species found in the forest ~1,000
- SCA's species commitment; species which are found in SCA's forests, are red-listed and adversely impacted by forest operations 203



Red List

In Sweden, the Red List is maintained by the Swedish Species Information Centre at the Swedish University of Agricultural Sciences. Using reports about discoveries of flora and fauna, the List notes declining species. Species on the Red List are divided into categories based on how rare and vulnerable they are. The most recent Red List was published in 2020.

Securing access to habitats for vulnerable species

Vulnerable species need habitats that are becoming less common in an actively managed forest landscape. SCA has identified 12 specific habitats that, based on stand age, tree continuity, availability of dead wood, presence of deciduous trees, fire sites and other factors are characterizing natural ecosystems in the region. These habitats, which are particularly important for the 203 species included in our species commitment, are preserved and enhanced on SCA land.

SCA has created programs and targets to ensure access to all of the habitats that are critical to these 203 species. SCA will report the progress of these programs and whether the established targets are achieved.

Examples from SCA's species commitment:



Coral tooth fungus (*Hericium coralloides*)

Habitat: Grows on old, fallen, heavily decomposed deciduous trees. The species requires a mainly deciduous stand that is left to become very old. Over time, such stands will slowly but surely turn into spruce forests. New deciduous stands must be actively created to form such habitats in a century from now.



Horned powderpost beetle (*Stephanopachys linearis*)

Habitat: This insect lays eggs in the fire damaged bark on older pine trees following a forest fire. The larvae feed on the layer between living and dead tissue. The species requires forest fires that damage older standing pine trees.



Old man's beard (*Usnea longissima*)

Habitat: Requires old coniferous natural forests with a continuity of trees that is undisturbed by fire.





A green re-start





TRENDS

The global recession caused by the coronavirus pandemic has led to substantial resources being invested in reinvigorating global economies. In many areas, not least in the European Union, the ambition is that this fresh start will be built on sustainable development. This makes renewable forest resources a key asset.

Trends

Substantial resources being invested in recovery from the coronavirus pandemic

The coronavirus pandemic has taken a very heavy toll on global economies. Some businesses and products were hit harder than others. Countries worldwide are now investing substantial resources to help those hit hardest by the coronavirus pandemic to restart both production and the labor market after periods of lock-down and other effects.

SCA acts

SCA delivers key input goods to manage the effects of the coronavirus pandemic, including the pulp used in hygiene products.

SCA is leaving product areas where demand is shrinking, such as publication paper, and instead investing to increase the production of products where demand is increasing, such as pulp and packaging paper.

E-commerce

E-commerce, which was already growing rapidly, was further strengthened by the coronavirus pandemic.

SCA supplies packaging paper to an expanding e-commerce sector.

Climate change

The world's glaciers are melting at an accelerating rate. The average temperature of the air and oceans is rising. Dramatic weather events are becoming more common. There is increasing evidence that the climate is becoming warmer and that this is caused by rising greenhouse gas emissions.

SCA's growing forests bind ever more CO₂ and SCA's products can substitute others that are made from fossil materials. Coal and oil can therefore remain locked underground.

Fresh start with a focus on sustainable development

Many countries are aiming to make the economic recovery following the coronavirus pandemic a sustainable one.

SCA's entire business is built on resource-efficient use of a renewable and growing asset, the forest.

Increased demand for renewable energy

More than 100 countries have introduced measures to reduce demand for fossil energy and to increase demand for renewable energy. One common method is the use of mandatory rules for the use of biofuels.

SCA produces bioenergy and green electricity and develops wind power. The company is driving the development of renewable fuels.

Circular economy and bioeconomy

Under pressure from an increasing population, consumption must be directed towards greater sustainability. Products must be designed to be reused or recycled and more products need to be based on renewable raw materials. Disposable plastic products are being banned in the European Union.

Every tree that SCA harvests is replaced with at least two new ones.

Wood products can replace concrete, steel and aluminum. Paper can replace plastic. Biofuel can replace fossil fuels.

SCA is working constantly with the innovation and development of its value chain to maximize benefits and value.

◀ The coronavirus pandemic has accelerated the growth in e-commerce.



Strategy for profitable growth

Increased value from each tree

Growing, renewable forest resource



The forest is a renewable resource that forms the core of SCA's operations. Around the forest, SCA has built a well-invested and efficient value chain. SCA wants to grow its forest resource and further increase the value from each tree.

Increase the forest resource

SCA wants to grow as a forest owner and enhance growth in existing forest assets through active forest management.

- Increase growth and harvesting**

Increased growth will enable harvesting to gradually increase by 25% annually.
- Acquire forest land**

SCA continues to acquire forest in the Baltic states.
- Optimize conservation measures**

Increase the precision and quality in biodiversity conservation measures.

Invest in the integrated value chain

SCA invests to strengthen the integrated value chain and provide favorable returns, in parallel with ensuring the company maintains a stable balance sheet.

- Increase pulp production**

SCA is investing in chemi-thermomechanical pulp (CTMP) at the Ortviken industrial site and is evaluating opportunities for the continued expansion of the Östrand pulp mill.
- Increase containerboard production**

Investment to increase production of containerboard in Obbola, on schedule and on budget.
- Develop business opportunities in renewable energy**

Wind power production is increasing on SCA's land and the development of biofuels and green chemicals is continuing.
- Reduce exposure to publication paper**

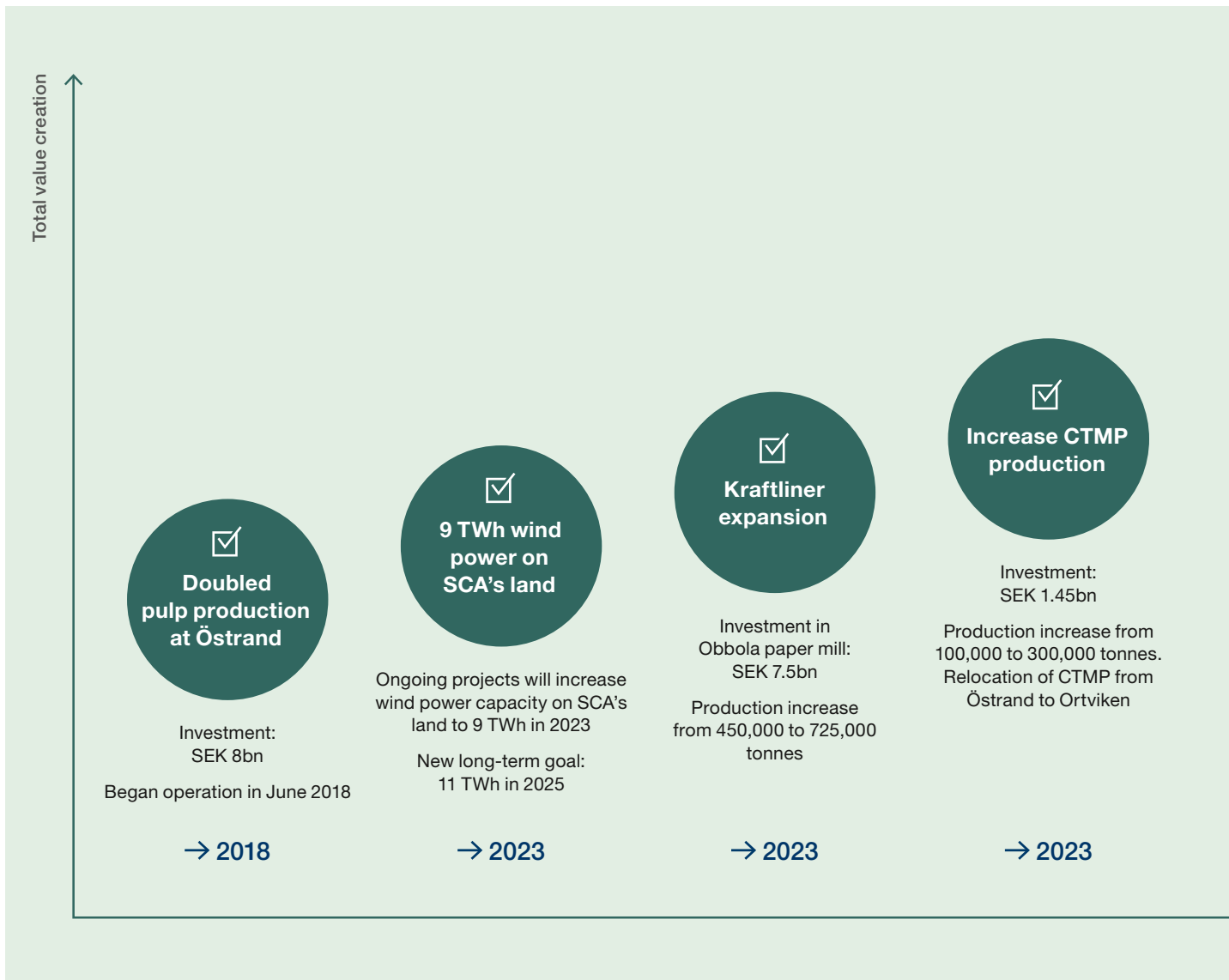
In 2020, the decision was taken to completely discontinue the publication paper operations.

◀ SCA's large forest resource forms the foundation for the company's operations.



Strong project portfolio driving profitable growth

SCA sees significant potential for continued profitable growth. Investments must contribute to SCA's integrated value chain and enhance the value creation from SCA's forest resource. Projects must also provide favorable returns and ensure that the company maintains a healthy balance sheet.





SCA is driving the development of new technology for the production of biofuels and green chemicals.





Transformation – SCA 2025

SCA creates the maximum possible value in the chain: forest – product – customer. The company develops all of the links in this value chain, focusing on growth products and leaving product categories with a weaker development.

Based on its substantial forest resources, SCA has built an industrial ecosystem that creates value, in the forest and from the forest. The company strives both to grow its forest resources in terms of area, volume and value, and to develop each link in the value chain.

This change is taking place through product development and the refinement of existing processes, but also through investments in new and growing product categories and by discontinuing operations with limited future prospects.

Since 2010, SCA has taken important steps in the transformation of the company in all business areas. A growing forest resource is further processed in increasingly efficient industries into

growth products with good prospects for profitable development. The by-product from one process becomes raw material for the next link in the chain.

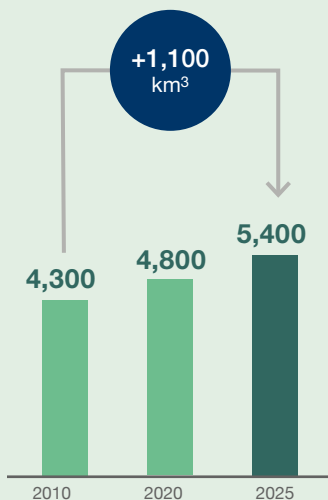
The raw material is used in the process and for the product that can generate the most value. Solid-wood products and fiber products are supplemented with the production of energy and fuel, for internal use or for delivery to customers.

The company's industrial sites are constantly developing and production is geared to the most competitive production units and those that can generate the greatest value from SCA's unique asset, the forest.

SCA ANNUAL AND SUSTAINABILITY REPORT 2020

Growing forest resource

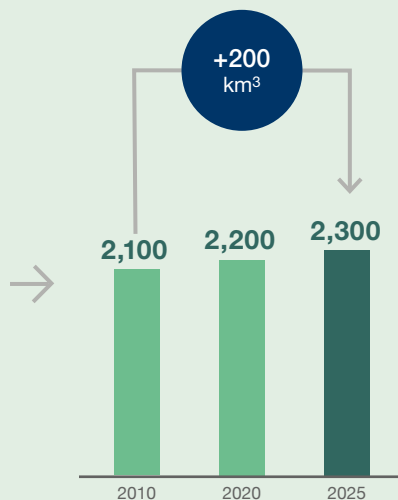
Harvesting of own forest (thousand m³sub)



SCA manages its forest assets to ensure long-term growth and increasing harvesting potential. Harvesting level in 2010 and 2025 refers to the harvesting plan in the respective years, 2020 refers to actual harvesting.

Efficient sawmills

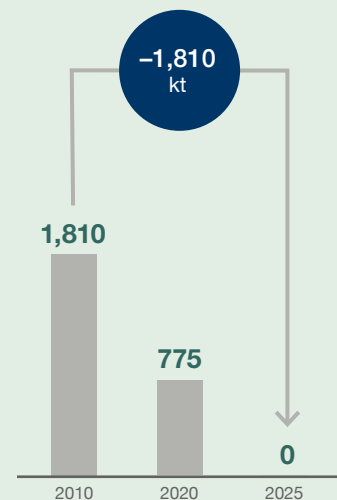
Capacity (thousand m³)



The sawmills are key to the value of the wood. SCA has five well-invested and efficient sawmills that manufacture products with a high added value for the timber.

Publication paper – discontinued

Capacity (kt)



Following a gradual reduction in exposure to publication paper, with its structurally declining market, SCA completely exited this product category at the beginning of 2021.

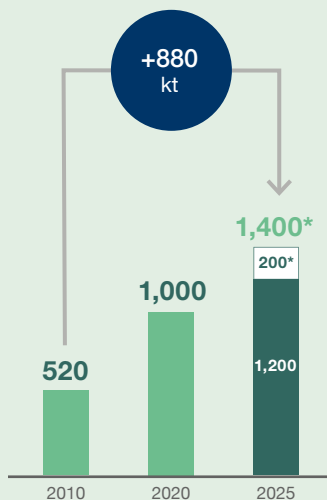
STRATEGY



Nearly 20% of the wind power capacity in Sweden is located on SCA's land.

Pulp – expanding market

Capacity (kt)

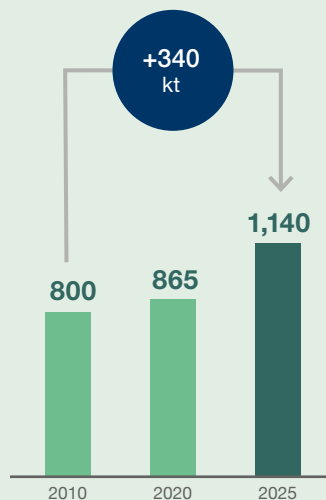


The increased production of kraft pulp at the Östrand pulp mill is being supplemented by an increased production of CTMP pulp at the Ortviiken industrial site. Rising demand for hygiene products and board has led to an increased demand for pulp.

* 1,200 refers to approved pulp capacity and 200 to the potential further increase.

Investment to increase production of containerboard

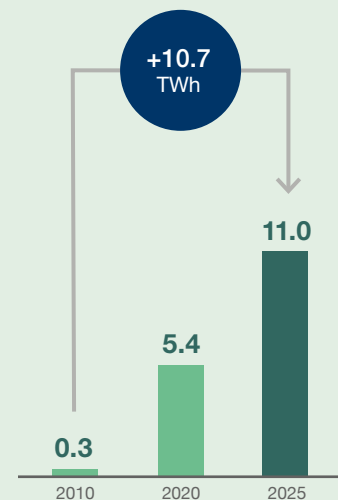
Capacity (kt)



The Obbola kraftliner mill is being expanded from 450,000 to 725,000 tonnes. The new paper machine will be taken into operation in 2023.

Rising demand for renewable energy

Wind power capacity (TWh)



Thanks to its extensive forest holdings, SCA has many locations with favorable wind conditions to offer companies interested in investing in wind power. In parallel, SCA is developing business opportunities in biofuels.

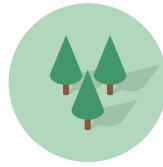


FOREST

Increased growth enables increased harvesting



FOREST



The forest is at the core of SCA's operations. The forest is managed responsibly and sustainably to provide the foundation for a sustainable supply of renewable raw materials to the company's industries. Good forest management leads to increased growth, which in turn results in sustained increased harvesting.

Europe's largest private forest holding secures raw material supply

SCA owns 2.6 million hectares of forest, of which 2.0 million hectares are productive forest land. Together with approximately 5 million m³fo of forest land in the Baltic states, SCA's total standing volume amounts to approximately 257 million m³fo.

About 52% of SCA's raw material needs are provided by wood from the Group's own forests and woodchips from its own saw-

mills. Even with the increasing raw material needs resulting from the company's growth, SCA has a much higher level of self-sufficiency than comparable forest products companies. The large forest holding provides forest products companies a reliable supply of raw material, facilitates investments and allows greater flexibility.

Every tree that is harvested, is replaced with at least two new ones. SCA's tree nursery produced 104 million seedlings last year.

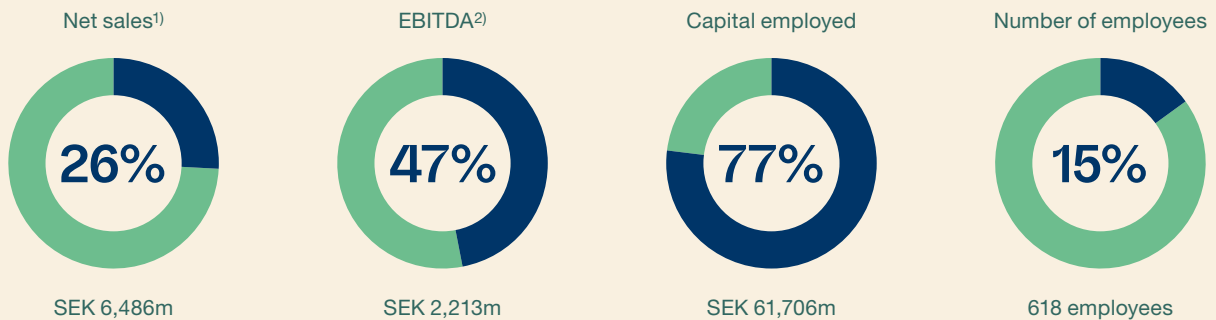
Strategy

- Increase growth and harvesting while maintaining high environmental ambitions
- Acquire forest that supports SCA industries
- Increase the precision and quality in bio-diversity conservation measures

Financial key figures

SEKm	2020	2019
Net sales	6,486	6,956
EBITDA	2,213	1,740
EBITDA margin, %	34.1	25.0
Operating cash flow	817	532
Strategic capital expenditures	77	-
Capital employed	61,706	57,776
Return on capital employed, %	3.4	4.4
Harvesting of own forest, thousand m ³ sub	4,818	4,419
Average number of employees	618	575

Share of Group 2020



¹⁾ Before elimination of intra-Group sales
²⁾ Share calculated of total EBITDA excluding central costs.

Timber purchases from private forest owners

Most of the timber that does not originate from SCA's own forest is purchased from private forest owners with holdings in Northern Sweden. With its harvesting and forest management organization that covers Northern Sweden, SCA is an attractive partner for forest owners seeking access to highly competent people and the latest harvesting machines to manage their own forests. Through its competitive industrial operations, SCA secures demand and forest value also for other forest owners. SCA's expertise and the resources used in its own forests thereby also benefit other forest owners. Timber purchased from private forest owners is supplemented by purchases from other forest companies and some imports from the Nordic countries and the Baltic states.

Forest acquisitions in Baltic states

SCA is continuing to increase its forest holdings. In 2020, the company acquired another 15,000 hectares of forest in the Baltic states and now owns more than 40,000 hectares of forest land in Estonia and Latvia. Compared with SCA's Swedish holdings, the acquired forest is younger, but production conditions and growth are better, as the forest is growing on fertile land and in a warmer climate.

SCA's forests are available to everyone and contain many opportunities for recreation and nature experiences.



Responsible forest management

SCA's forests are managed sustainably with the aim that they will remain at least as rich in biodiversity, nature experiences and raw material in the future as they are today. Preserving biodiversity, the many species of animals and plants, is one of the most important sustainability targets of SCA's forestry. Forest areas with high conservation values are set aside from harvesting or managed specifically to maintain or enhance the conservation values. Forest is set aside to provide variety and habitats for sensitive animal and plant species.

SCA's forests have been certified in accordance with the requirements of the Forest Stewardship Council® (FSC®) (FSC® C004466) since 1999 and since 2011 also in accordance with the Programme for the Endorsement of Forest Certification (PEFC™). Independent auditors verify that SCA's forest operations fulfill the certification requirements. Products based on timber from certified forestry can in turn be certified and offered to customers with stringent demands on sustainability. SCA also encourages its suppliers to certify their forest operations.



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™).

Market share and competitors

SCA has a 35% market share for timber purchased from private forest owners in Northern Sweden.

Other players in the timber market in Northern Sweden include:

- Norra Skog (forest-owner association in the four northernmost counties)
- Sveaskog (Swedish state-owned forest company)
- Holmen
- BillerudKorsnäs
- Sawmill companies

Laws that govern forest operations and forestry management in Sweden

The Forestry Act, has existed in different versions since 1905 and includes mandatory rules for forestry operations in Sweden. It states, i.a., that reforestation must take place after final harvesting; it stipulates limits for the youngest age at which forest can be harvested; and includes an obligation to consider environmental values.

The Land Acquisition Act, regulates the acquisition of forest land. The law states that a legal entity may not net acquire forest land from private individuals, but only from other legal entities. The background to the law is that the Swedish legislator wants a certain percentage of the forest to be held by private individuals.

FOREST



More than 100 harvesting teams with harvesters and forwarders work in SCA's forests. A significant proportion comprise harvesting contractors.

Climate benefits and biodiversity conservation

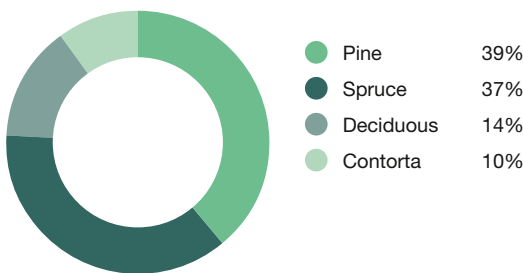
Growing trees capture and bind carbon dioxide. SCA's forests have an annual net growth of more than three million forest cubic meters (m³fo) of timber, which means that the forests binds a net of more than four million tonnes of CO₂. This is almost five times more than the total CO₂ emissions from fossil-based sources in all of SCA's operations, including the forest operations, industrial production and transportation of raw materials and finished products, as well as input goods. SCA sets aside important habitats for sensitive animal and plant species from forest operations and manages the forests to improve conditions for species with special requirements. At the same time, the company strives to make these habitats as effective as possible. Growth, meaning the sequestration of CO₂, and renewable raw materials are also important environmental values and SCA is aiming for the best possible balance between these two objectives.

Harvesting increasing by 25%

SCA conducts regular, detailed forest inventories. The most recent inventory was conducted in 2019. It showed that SCA had a standing volume, which was 11 million m³fo higher than previously calculated and a 1 million m³fo higher annual net growth. The higher growth is the result of good forest management and higher than anticipated growth in SCA's young and middle-aged forests in particular. Contorta pine, which has a much higher growth rate than Swedish pine, has made a significant contribution to this growth increase.

Using the detailed data from the 2019 inventory of SCA's forest assets, the company has prepared a new harvesting plan with restrictions, including considerations for nature conservation. The new harvesting plan means that SCA can increase planned harvesting from the previous estimate of 4.3 million m³sub to

Forest portfolio (volume)



Growth in SCA's forest in 2020¹⁾

SEKm	Million m ³ fo	%
Opening volume Sweden, 2020	249	
Gross forest growth	10.5	4.2%
Natural losses and pre-commercial thinning	-1.4	-0.6%
Available growth	9.1	3.7%
Harvesting ²⁾	-5.9	-2.4%
Net forest growth	3.2	1.3%
<hr/>		
Closing balance Sweden, 2020	252	
Holdings in Baltic states	5	
Closing volume, 2020	257	

¹⁾ Timber volume and growth per the forest survey performed in 2019.
²⁾ Equal to about 4.8 m³sub.

FOREST

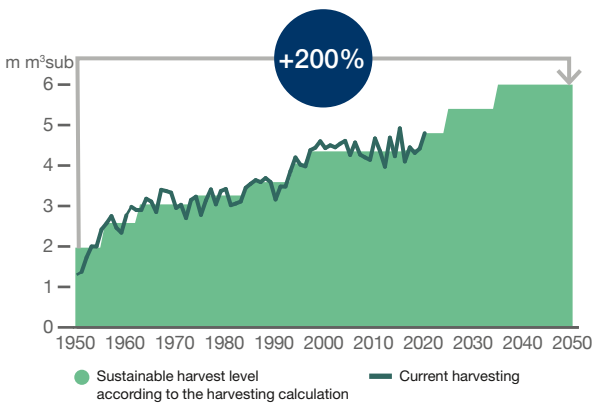
5.4 million m³sub per year. The increase will take place gradually with full effect from 2025. From then on, this will result in an increase in cash flow of SEK 300–400m per year.

Since the first forest inventory at the end of the 1940s, SCA's standing volume has increased by more than 50% and growth has more than doubled. At the same time, the company has during these 70 years harvested more than the entire timber volume currently growing in SCA's forests.

Using the harvesting plan that SCA has now adopted, standing volume will continue to increase, albeit at a slightly slower pace than in the past.

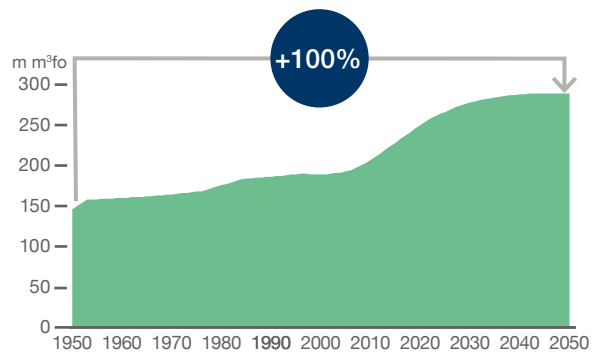
The planned harvesting level will increase by 25% gradually over the next five-year period. It will then remain at this new level for ten to 15 years, whereafter it could continue to rise.

Harvesting of own forest (million m³sub)



The first harvesting calculation in 1950 presented a sustainable harvesting level of approximately 2 million m³sub. Through good forest management, growth has risen and in the most recent harvesting calculation the sustainable harvest level was 5.4 million m³sub, a level that could be further raised in 10–20 years.

Standing timber volume (million m³fo)



The most recent forest survey was conducted in 2019 and measured standing volume of 249 million m³fo at the end of that year. The forest management plan used for the latest harvesting calculation indicates that standing volume will continue to rise over the coming decades, at the same time as the harvesting level is increasing.

SCA ANNUAL AND SUSTAINABILITY REPORT 2020

Forest value

In light of the price level of forest land in a number of large and recently completed forest land transactions, SCA conducted a review in 2019 of the method used for valuation of the company's forest assets in its balance sheet. The review showed that a large number of forest transactions take place in areas where SCA has forest assets, that the value of larger forest assets is generally in line with the values of smaller and mid-sized forest assets, and that the value is significantly higher than the previous carrying amount.

As of December 31, 2019, SCA changed its accounting method for the valuation of the company's forest assets so that the value is based on transactions in areas where SCA owns forest land in Sweden. The average market price on December 31, 2020 used in valuation of SCA's forest assets was SEK 291/m³fo. Applied to SCA's standing timber volume of 257 million m³ at the end of the year, the carrying amount of SCA's forest assets was SEK 74.9bn as of December 31, 2020.

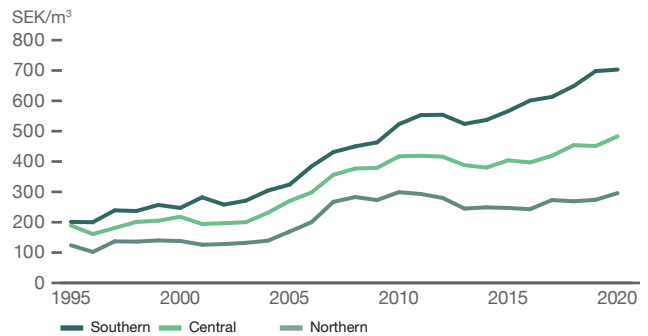
Ludvig & Co (previously LRF Konsult) is one of the main intermediaries and providers of market statistics and according to Ludvig & Co, the average price in SCA's region, Northern Sweden, in 2020 was approximately SEK 296 per m³fo standing timber.

SCA's purchases and divestments of forest land in Sweden

Purchase	2016	2017	2018	2019	2020
Volume, thousand m ³ fo	123	261	197	429	288
Price, SEK/m ³ fo	263	259	286	334	294

Divestment	2016	2017	2018	2019	2020
Volume, thousand m ³ fo	176	385	192	959	319
Price, SEK/m ³ fo	274	270	268	264	259

Forest land prices, nominal values (SEK/m³)



Forest land prices in Northern Sweden

	2016	2017	2018	2019	2020
Price, SEK/m ³ fo	243	273	269	274	296

Source: Ludvig & Co

FOREST

Total return of 10% per year

The forest creates value in three ways: cash flow from harvesting, biological growth and value growth of forest land.

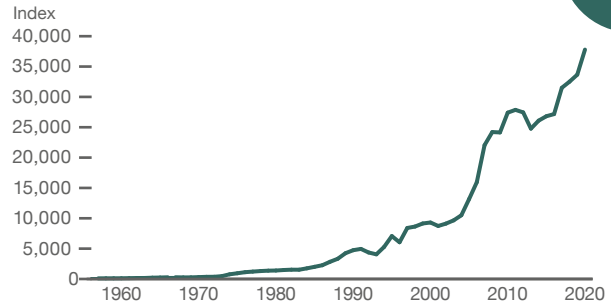
Harvesting. Harvesting provides raw materials to the industries and generates cash flow. Good forest management has helped to double the sustainable harvesting level since 1956.

Net growth. Over the past 70 years, standing volume has increased significantly and growth is far greater than harvesting. This will enable a higher level of harvesting and an increase in cash flow going forward.

Land value. The value of forest land in Northern Sweden has risen by more than 200% in real terms and 4,000% in nominal terms since 1956, according to an estimate by the National Land Survey.

Altogether, these three value streams have generated a total return from SCA's forest assets of approximately 10% per year since 1956.

Total return SCA's forest (index 1956–2020)



Source: The Swedish National Forest Inventory, the Swedish Forest Agency, Ludvig & Co, the National Land Survey, Svefa, FutureVistas
 Note: Cash flow is reinvested in forest
 CAGR: Compound Annual Growth Rate

The Baltic states – a forest region with a potential to grow

Forests in Estonia and Latvia have an excellent production capacity, which for historical reasons is only utilized to a limited extent.

Forestry has been an important livelihood in Estonia and Latvia for as long as people have lived there. Estonia has 2.2 million hectares of forest and Latvia 3.4 million hectares, which corresponds to about half of the land area in each country.

Forests and agricultural land are interspersed in both countries, similar to the plains of southern Sweden. The landscape is fairly flat and the ground is largely free of stones.

Like in Scandinavia, the forest industry and sawmills were established along with an initial pulp industry at the end of the 19th century. The two world wars had a heavy impact on the forests in the Baltic region, which were felled to provide heating, protection and also food for passing armies and a suffering population.

Harvesting was also heavy in the forests in the years following World War II. They were nationalized and became

part of the Soviet planned economy. Engagement and resources to replace the heavily harvested forests with new and stronger growing trees were often lacking. In many cases the result was a naturally regenerated deciduous forest with some softwood trees.

After the fall of the Soviet Union, about half of the forests were returned to previous owners or were privatized. This increased engagement in utilizing the excellent growth opportunities, which have until today only partly been realized. In addition to forest land, there are also large areas of poorly utilized or overgrown agricultural land with the potential to become highly productive forest land.

SCA now owns more than 40,000 hectares of forest land with excellent potential for afforestation. The forests are relatively young with a large proportion of deciduous trees. The production capacity of the land is, however, high and through good forest management the potential can be utilized to create a forest holding with high volumes and strong growth.

SCA's forest holdings in Estonia and Latvia

Forest land area, hectares	40,000
Land for afforestation, hectares	4,000
Distribution of tree species, pine-spruce-deciduous, %	23-12-65
Standing timber volume, m ³ fo/hectare	120
Site quality, potential growth rate, m ³ fo per hectare and year	6.1

The land in Estonia and Latvia is largely flat and fertile. Timber production can become very high by utilizing good forest management.





WOOD

Digitalization increases timber value



WOOD



A competitive and profitable sawmill industry that utilizes the full potential of the raw material is key to the value of the forest. For forest owners, approximately 65% of revenue is generated from sawlogs.

SCA manufactures processed wood products for the European building materials trade, as well as for wood industries around the world.

SCA operates five sawmills in close proximity to the forest raw material base. The sawmills are well-invested and are among the largest in Europe with an annual capacity of 2.2 million m³ solid-wood products. They have a high degree of automation

and use x-ray technology to maximize the yield from every log. The technology means the sawmills can sort, select and adjust the log to suit the requirements of the end product.

SCA also operates planing mills, painting facilities, impregnation and is engaged in the further processing of by-products as well as distribution to the building materials trade.

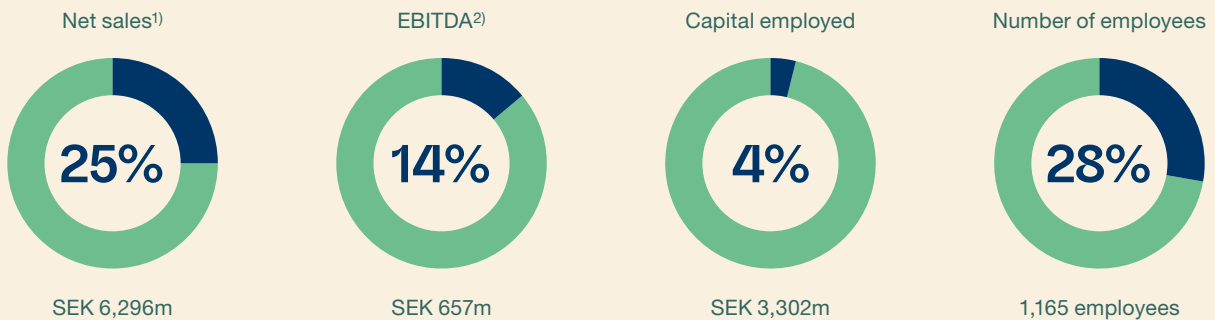
Strategy

- Strengthen SCA's integrated value chain – the most valuable part of the tree is the sawlog
- Continued profitable growth through:
 - Volume growth in Bollsta and Tunadal
 - Value-added and customized products
- Production optimization to achieve the highest level of efficiency

Financial key figures

SEKm	2020	2019
Net sales	6,296	6,325
EBITDA	657	789
EBITDA margin, %	10.4	12.5
Operating cash flow	573	681
Strategic capital expenditures	-	1
Capital employed	3,302	3,443
Return on capital employed, %	11.8	14.6
Deliveries, wood products, thousand m ³	2,553	2,506
Average number of employees	1,165	1,235

Share of Group 2020



¹⁾ Before elimination of intra-Group sales
²⁾ Share calculated of total EBITDA excluding central costs.

◀ Through the use of X-ray technology and advanced image analysis, SCA identifies the heartwood from the pine log and produces a naturally durable decking.

Customized products

The slow-growing wood from Northern Sweden has a high proportion of heartwood and small knots, making it suitable for visible wood applications, interior use and products subject to high quality standards, such as interior and exterior cladding. SCA has chosen to focus on two customer segments that suit these characteristics and that offer the best prospects for profitable growth.

Wood industry. As a supplier to the wood processing industry, SCA manufactures customized products and components suitable for further processing by its customers. SCA's customers are mainly manufacturers of furniture, doors, windows, flooring and roofs.

Building materials trade. For the building materials trade, SCA delivers processed products ready to be offered to consumers, and advanced distribution solutions. SCA supplements its own products with products purchased from other suppliers in order to offer a complete range of products. Customers mainly include building materials suppliers in Scandinavia, the UK and France and the products are used by both professionals and by DIY enthusiasts.

This focus has enabled SCA to achieve higher and more stable margins over a business cycle and it has delivered a profitable growth rate of about 10% per year over the past 20 years.

Innovative solutions

The wood industry and building materials trade require innovative products that drive sales growth. Thanks to high-quality raw materials, x-ray technology and process control, SCA can offer its customers products such as heartwood pine decking. This is as resilient as pressure-impregnated timber, but is manufactured without the use of chemicals. Another new product in the building materials industry is SCA's semi-finished cladding with concealed fittings, which provide a more attractive facade, easier assembly and greater durability.

Increased competitiveness

SCA is investing approximately SEK 600m in a new dry sorting line at Bollsta sawmill, where timber is sorted by quality and length prior to delivery. The dry sorting line will replace two older units and result in higher and more efficient production. Bollsta sawmill is already SCA's largest sawmill, and one of the most efficient mills in Europe. It will now further enhance its competitiveness.

Sawmills

Munksund, Piteå

Capacity: 420,000 m³/year

Rundvik, Nordmaling

Capacity: 330,000 m³/year

Bollsta, Kramfors

Capacity: 560,000 m³/year

Tunadal, Sundsvall

Capacity: 540,000 m³/year

Gällö, Bräcke

Capacity: 330,000 m³/year

Wood processing and distribution

Planned products capacity:

600,000 m³/year

Window component capacity:

5 million linear meters/year

Distribution to building materials trade:

Scandinavia | France





With the right surface treatment, wood is a material that can withstand tough conditions.

Market trends

Global demand for renewable materials is increasing as is interest in constructing housing made from wood. Demand for wood products has grown by between 2% and 3% annually in recent years. In 2020, the coronavirus pandemic had a varying impact on the trends in this market. During the first quarter, restrictions in most European countries resulted in distribution problems. Demand was strong in the building materials trade in Scandinavia, the UK and the rest of northern Europe and the market prices for solid-wood products strengthened during the year. European exports to the US were high, mainly due to strong demand from the building materials trade, a high level of new construction and lower imports from Canada, where production declined in the spring and increased in the autumn.

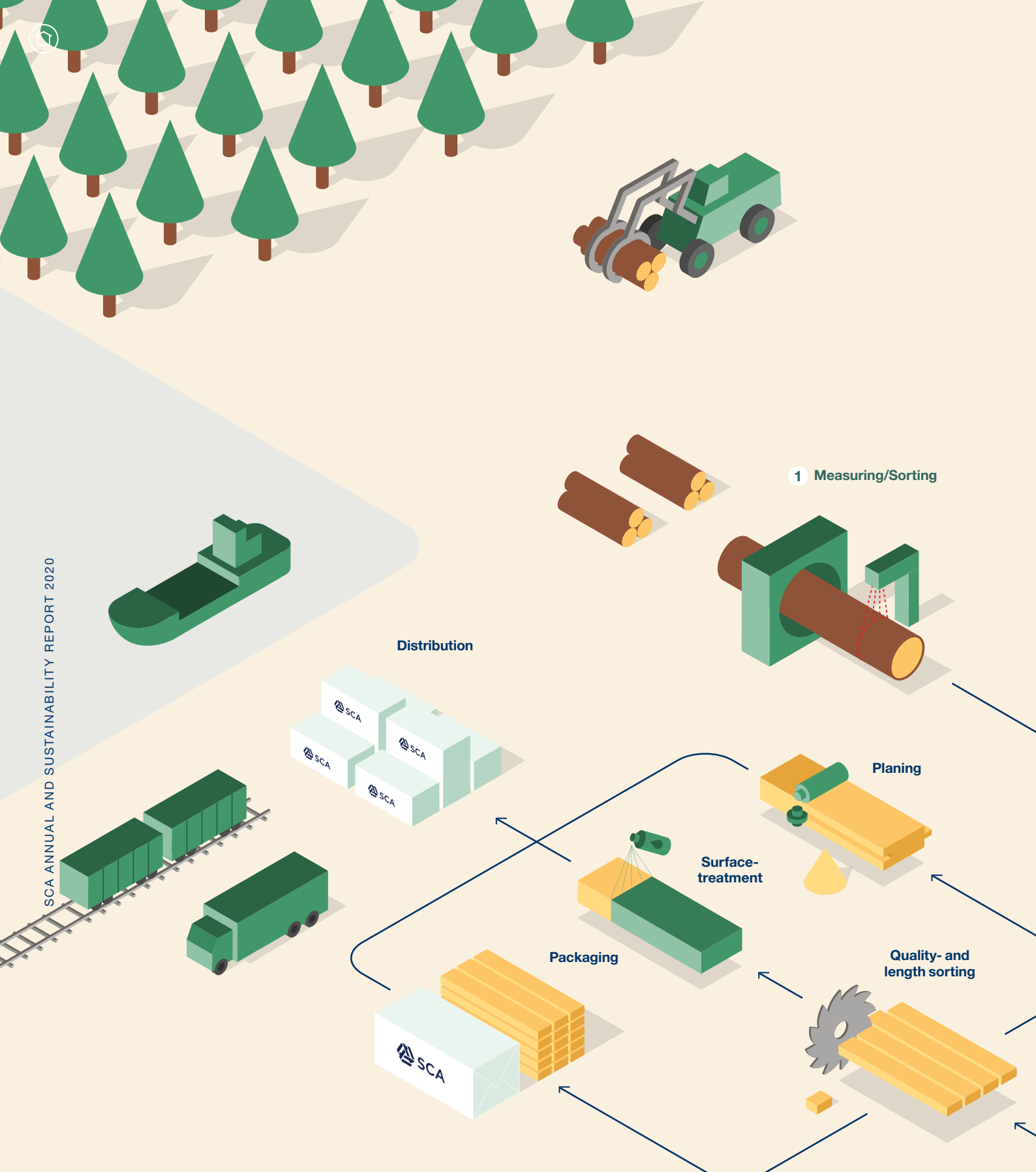
Market share and competitors

SCA's share of the European market for softwood solid-wood products is approximately 2%. The market is characterized by a large number of mid-sized and small suppliers targeting different products and geographic markets.

Other major wood product suppliers in Europe:

- Stora Enso
- Binderholz & Klenk Holz
- Pfeifer Holz
- Moelven

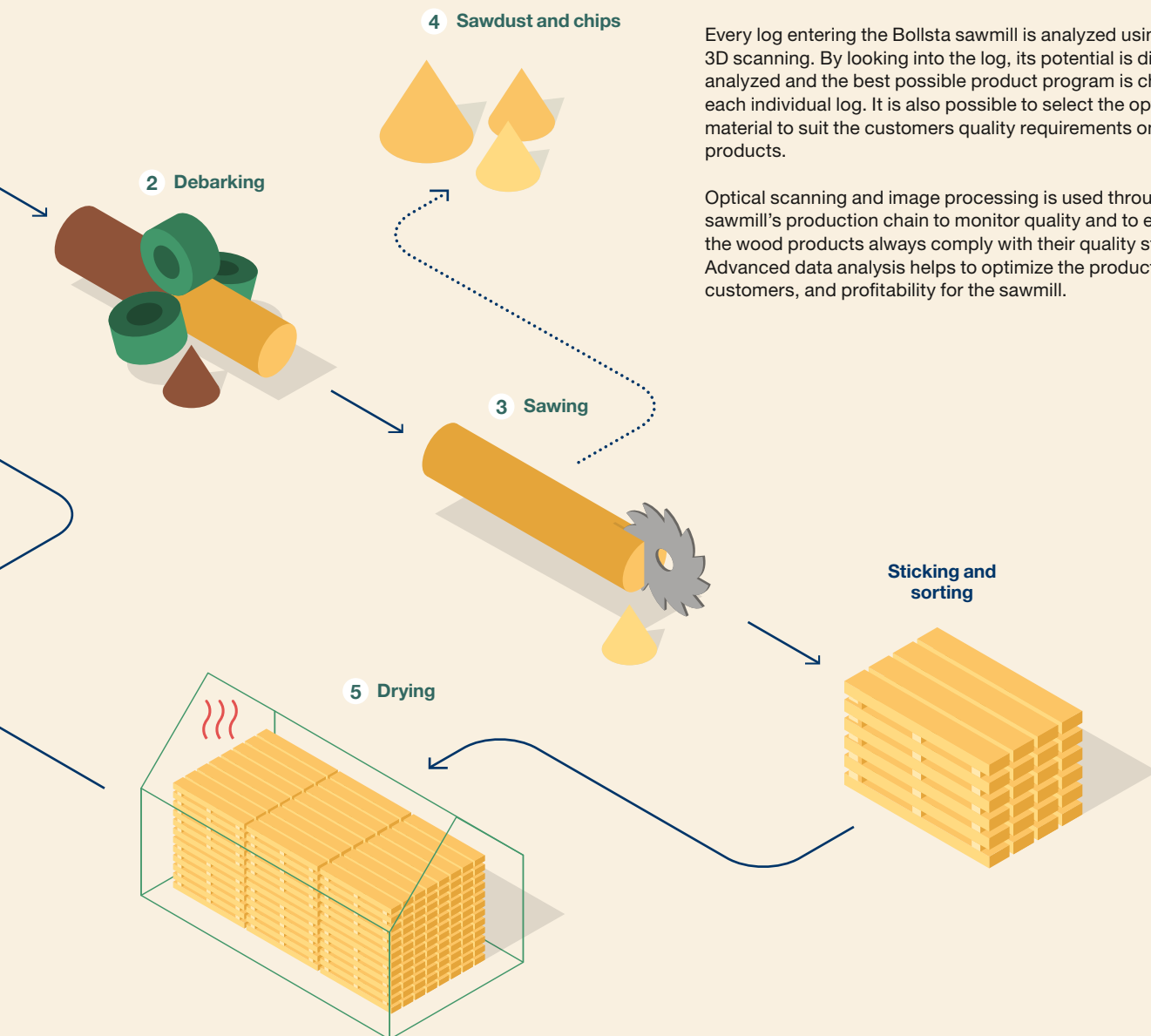
◀ Sawlogs are the most valuable part of a tree. SCA's sawmills can harness their full potential.



1. Using 3D measuring and x-ray technology, the log is measured and the right raw material is chosen for each product.
2. The bark is used to produce energy, which is needed to dry the timber.
3. Thin saw blades and process controls ensure that as much of the log is used for purpose-designed, solid-wood products.
4. The entire log is used. Woodchips are used as pulp raw material and sawdust in fuel pellets.
5. The timber is dried to the moisture content desired for the end product.

Computed tomography looks inside the log

SCA is investing in the latest technology at Bollsta sawmill in order to optimize the value of each log. By using computed tomography (CT), image processing and artificial intelligence, the value is optimized all the way from sawlog to end product.



Every log entering the Bollsta sawmill is analyzed using CT and 3D scanning. By looking into the log, its potential is digitally analyzed and the best possible product program is chosen for each individual log. It is also possible to select the optimal raw material to suit the customers quality requirements on the products.

Optical scanning and image processing is used throughout the sawmill's production chain to monitor quality and to ensure that the wood products always comply with their quality standards. Advanced data analysis helps to optimize the product value for customers, and profitability for the sawmill.



PULP

Continued expansion

SCA ANNUAL AND SUSTAINABILITY REPORT 2020





PULP



After doubling kraft pulp production at the Östrand pulp mill, SCA is now investing in increased production of chemi-thermomechanical pulp (CTMP).

Leading kraft pulp manufacturer

The Östrand pulp mill has now reached full production. Östrand is market leading in terms of quality, cost efficiency and environmental performance. The mill's main focus is pulp for tissue, but it also delivers pulp for board and publication paper, together with specialty products, such as pulp for filter manufacturing.

Softwood kraft pulp made of fiber from Northern Sweden is highly valued for its good strength properties. In tissue, it is often combined with pulp based on deciduous trees, such as birch or eucalyptus. Different types of pulp contribute to different properties in the final paper. Since softwood kraft pulp contributes to strength, it cannot easily be replaced by pulp produced from other wood sources and with other pulp characteristics.

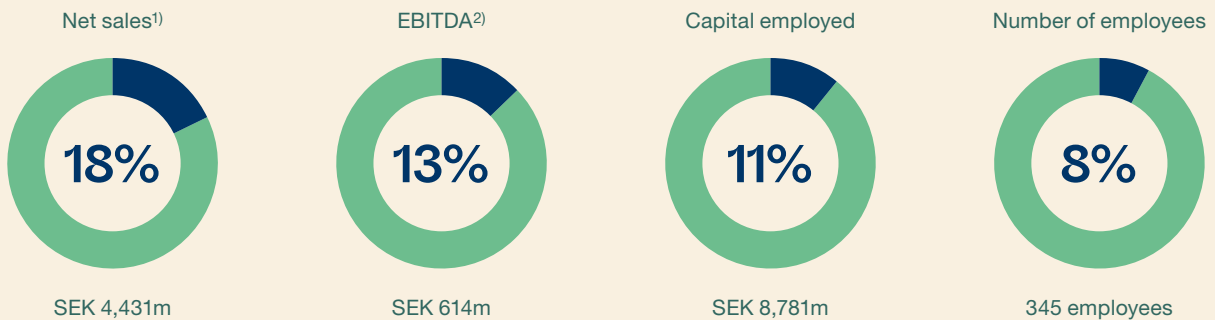
Strategy

- Establish Östrand as the leading supplier of softwood kraft pulp for tissue manufacturers
- Expand and move the CTMP production to the Ortviken industrial site
- Plan for continued expansion of the softwood kraft pulp capacity

Financial key figures

SEKm	2020	2019
Net sales	4,431	4,377
EBITDA	614	983
EBITDA margin, %	13.8	22.5
Operating cash flow	468	716
Strategic capital expenditures	79	347
Capital employed	8,781	9,115
Return on capital employed, %	0.8	4.9
Deliveries, pulp, thousand tonnes	839	741
Average number of employees	345	355

Share of Group 2020



¹⁾ Before elimination of intra-Group sales

²⁾ Share calculated of total EBITDA, excluding central costs



From the forest to finished products in the form of premium quality bleached softwood kraft pulp.

Investment in CTMP

The Östrand mill produces approximately 100,000 tonnes of chemi-thermomechanical pulp (CTMP). This is mainly used to manufacture tissue and board. CTMP is used, i.a., in the middle ply in liquid packaging board to provide stiffness to the packaging.

SCA has decided to invest SEK 1.45bn in a facility for the production of 300,000 tonnes of CTMP at the Ortviken industrial site. Ortviken has existing equipment and infrastructure previously used to manufacture publication paper, which can be converted to a highly competitive facility at a low investment cost. The new CTMP plant will be commissioned at the beginning of 2023.

Opportunity for additional capacity

When the CTMP plant in Ortviken begins operations, the existing CTMP capacity in Östrand will be discontinued. This will provide the conditions for an increase in kraft pulp production at the Östrand pulp mill.

Renewable energy and green chemicals

After its expansion, the Östrand pulp mill has considerably improved its energy efficiency. The mill meets all of its electricity and heating needs with its own energy production. In addition, it delivers about 0.5 TWh of green electricity to the grid and some 0.2 TWh of heat to the district heating grids in Sundsvall and Timrå.

The Östrand mill also produces by-products, such as tall oil and turpentine. Tall oil is used as a raw material in biofuels, while turpentine is used as a raw material in cosmetics.

Market trends

Demand for bleached softwood kraft pulp is growing by about 2% per year over time. Prices were low at the start of 2020. The coronavirus pandemic created great uncertainty in the market. Demand for pulp for tissue increased, while demand for pulp for publication paper fell dramatically. Market conditions and prices strengthened during the second half of the year, driven in particular by rising demand in China.

Östrand pulp mill, Timrå

Production capacity:

Bleached softwood kraft pulp (NBSK): 900,000 tonnes/year. The pulp is used in, for example, tissue, packaging, publication paper and filters.

Chemi-thermomechanical pulp (CTMP):

100,000 tonnes/year. The pulp is used in, for example, packaging and hygiene products.

Green electricity: 1.2 TWh/year at full pulp production capacity.

Market share and competitors

SCA's share of the global market for bleached softwood kraft pulp (NBSK) is 6%.

Other major producers include:

- Metsä
- Mercer
- Paper Excellence
- Södra
- Ilim/International Paper



The pulp is cut into sheets, baled and packaged on the new drying line.



CONTAINERBOARD

SCA expands in packaging paper

SCA ANNUAL AND SUSTAINABILITY REPORT 2020



CONTAINERBOARD



SCA is discontinuing the publication paper market and the segment will, as of 2021, consist solely of kraftliner, which is a strategic growth area with favorable trends. The investment to increase production is ongoing at the Obbola paper mill.

Leading producer of containerboard

Containerboard is a packaging paper used to manufacture corrugated board packaging, and is used for the outer layers of the corrugated board. The vast majority of SCA's production is fresh fiber-based containerboard, known as kraftliner, from the Munksund paper mill in Piteå and the Obbola paper mill in Umeå.

SCA is a leading producer of fresh fiber-based containerboard, being the third largest producer in Europe and the largest inde-

pendent supplier. The product portfolio includes a range of specialty products, such as kraftliner with a white printable surface (white-top) and wet-strength kraftliner. Wet-strength kraftliner is used for packaging with particularly high demands, for example packaging for food or heavy goods. The slow-growing wood raw material from Northern Sweden provides strength and is well suited for material-efficient packaging of high quality. The principal market is Europe.

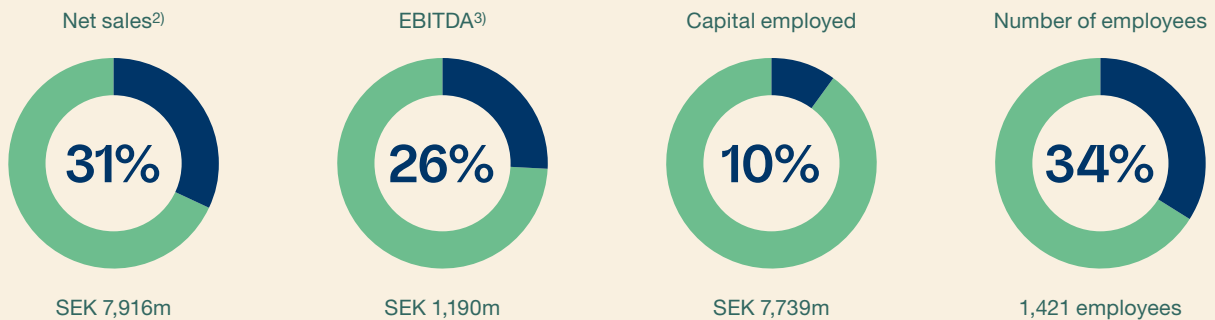
Strategy

- Implement the approved investment to increase kraftliner production at the Obbola paper mill
- Continue the initiative to offer the market's best service and product range as an independent supplier
- Continue investments in specialty products, such as white-top and wet-strength kraftliner

Financial key figures¹⁾

SEKm	2020	2019
Net sales	7,916	9,229
EBITDA	1,190	2,064
EBITDA margin, %	15.0	22.4
Operating cash flow	1,201	1,461
Strategic capital expenditures	1,253	903
Capital employed	7,739	7,471
Return on capital employed, %	10.2	21.8
Deliveries, kraftliner, thousand tonnes	840	812
Deliveries, publication paper, thousand tonnes	587	688
Average number of employees	1,421	1,423

Share of Group 2020



¹⁾ Key figures include publication paper and containerboard (Paper segment). As of 2021, the segment will include only containerboard.
²⁾ Before elimination of intra-Group sales
³⁾ Share calculated of total EBITDA, excluding central costs

Investment in a new paper machine

In September 2019, SCA approved an investment of SEK 7.5bn in the Obbola paper mill. The investment includes a new paper machine and will result in a production increase for containerboard from the current 450,000 tonnes to 725,000 tonnes. The new paper machine is scheduled to be commissioned at the beginning of 2023. During the investment period, production will continue as normal.

The investment in Obbola is on schedule and on budget.

Market trends

The containerboard market continues to grow, even during the coronavirus pandemic. Expanding e-commerce and the transition from plastic packaging to renewable materials is boosting demand for high-quality packaging paper. Demand for meeting food safety standards and for retail-ready packaging, which can be displayed directly in stores, increased interest in fresh fiber-based packaging without chemicals, with high printability and strength. Market prices for kraftliner declined during 2020 due to the slowdown of the global economy. Towards the end of the year, however, demand improved and inventory levels declined.

Digitalization is changing media patterns

Demand for publication paper has declined for many years. Between 2008 and 2019, demand in Western Europe declined by 5% per year, as changing communication patterns due to digitalization reduced demand for printed media, such as newspapers, magazines and commercial print. The coronavirus pandemic has accelerated this trend. During the first half of 2020, demand for publication paper fell by a further 30–40% as newspaper stands closed and the advertising market for travel, retail and events decreased dramatically.

SCA has gradually reduced its exposure to publication paper. In 2020 only the Ortviken paper mill in Sundsvall remained, with its production of coated and uncoated publication paper on three paper machines.

On September 11, SCA decided to completely discontinue publication paper operations and close all three paper machines at Ortviken. This resulted in the loss of about 800 jobs, primarily at the Ortviken industrial site but also in other parts of SCA's operations. The Ortviken industrial site will switch to produce chemi-thermomechanical pulp (CTMP) and to provide room for external operations, such as Renewcell's recycling of textile fiber. Ortviken is an attractive industrial site with good infrastructure and excellent logistics facilities.

SCA has developed Arcwise, a technology to make corrugated board packaging in all shapes.





CONTAINERBOARD



SCA is expanding its kraftliner production at the Obbola paper mill.

Containerboard

Obbola, Umeå

Production capacity: 450,000 tonnes/year

Product range: brown kraftliner, for consumer and transport packaging with a focus on lightweight and standard grades.

Munksund, Piteå

Production capacity: 415,000 tonnes/year

Product range: brown and white-top kraftliner, for consumer and transport packaging. Specialized in heavy-duty, wet-strength and white-top grades.

Market share and competitors

Kraftliner

SCA's share of the market for kraftliner in Europe is 12%.

Other major producers include:

- Smurfit-Kappa
- Mondi
- Metsä
- Stora Enso



RENEWABLE ENERGY

SCA is driving the development of bioenergy

SCA ANNUAL AND SUSTAINABILITY REPORT 2020



RENEWABLE ENERGY



Energy is an increasingly important part of SCA's value chain. By-products and waste from the company's forest operations and industries are turned into green energy and generate new business opportunities. In parallel, the production of wind power on SCA land is increasing.

Doubled wind power production provides SCA with higher ground lease payments

As Europe's largest private forest owner, SCA has many areas of land with favorable wind conditions. A significant expansion of wind power is currently taking place. At the end of 2020, the capacity for wind power production on SCA's land was 5.4 TWh per year, equivalent to about 20% of the total wind power production in Sweden. By the end of 2023, capacity will have risen to 9 TWh per year.

SCA prepares and develops wind power projects for investors who are interested in investing in green energy. As the land owner, SCA receives a ground lease payment usually based on revenue from the sale of the green electricity produced.

SCA has set as a long-term goal that wind power production on the company's own land will amount to 11 TWh in 2025, equivalent to the electricity needed to electrify all passenger cars in Sweden.

Leading supplier of biofuels

All timber that can be sawn is used for solid-wood products. The wood raw material that cannot be used for wood products is used to produce paper and pulp. The by-products from forest operations and industry that are not suitable for use as fresh fiber are used in energy production. A large proportion of bioenergy is used at SCA's own plants and contributes to SCA's very small carbon footprint.

SCA produced 10.8 TWh of bioenergy in 2020. Of this, 9.1 TWh was used in SCA's own plants and 1.7 TWh was delivered to external customers. Of the external deliveries, 0.9 TWh was processed biofuels, meaning wood pellets, and 0.8 TWh was unprocessed biofuels. SCA's production capacity at fully or partially owned plants is 300,000 tonnes of pellets per year.

Biofuels and green chemicals

The higher production at the expanded mill in Östrand will also increase the manufacture of tall oil, a by-product from kraft pulp production. SCA and the Finnish energy company St1 have initiated cooperation to evaluate the investment in a facility to produce liquid biofuel at St1's refinery in Gothenburg. The investment could yield an annual production of 100,000 m³ of liquid biofuel, equivalent to about 1% of Sweden's total needs.

SCA has received an environmental permit at the court of first instance to build a biorefinery at the Östrand pulp mill. The company is evaluating the potential to manufacture liquid biofuel from black liquor, a by-product from pulp manufacturing. SCA's proprietary process is being tested in a pilot plant at the Obbola paper mill. SCA is also evaluating the potential to produce liquid biofuel from solid biomass, such as sawdust. Both projects can utilize the industrial infrastructure available at the Östrand pulp mill and the by-products generated by SCA's industrial production. SCA has set as a long-term goal to manufacture 260,000 m³ liquid biofuel from forest by-products, a volume corresponding to all fuel used in domestic flights in Sweden.

Strategy

- Maximize wind power on SCA's land and develop viable projects for investors
- Optimize production, product portfolio and profitability in the biofuel business
- Commercialize business opportunities in biofuels and green chemicals

◀ SCA has the capacity to produce 300,000 tonnes of pellets per year. Pellets is both an industrial fuel and a consumer product.



LOGISTICS

Efficient logistics a prerequisite for profitability

SCA ANNUAL AND SUSTAINABILITY REPORT 2020





LOGISTICS



Logistics is a central part of SCA's operations. Forest raw materials are delivered to industrial facilities and products are shipped to customers worldwide. Following the discontinuation of publication paper, SCA's logistics system for finished goods is being adapted to focus on kraftliner, pulp and solid-wood products.

The forest industry is a logistics-intensive industry. Logistics account for about 20% of SCA's cost base. To optimize freight flows, SCA has set up its own logistics system in both raw material supply and the distribution of finished products. Within forest operations, SCA is one of Sweden's largest users of rail transport, with its own transportation system from inland forests to industrial sites on the coast. SCA's railway system for the transportation of round timber is the largest in Europe.

Raw-material transportation

Timber is taken from forests throughout Northern Sweden. All timber transportation starts on trucks. If the distance to the factory is short, the timber is driven directly by truck. If the distance is greater than about 100 kilometers, the timber is driven to a rail terminal and then transported to the factory by rail.

The increased timber requirement of the expanded pulp mill in Östrand is to a large extent delivered by rail. Timber can also be transported from Southern and Central Sweden at a competitive cost by using efficient rail transportation.

Efficient road transportation is economic and environmentally friendly. Timber trucks with a 74-tonne capacity are now permitted on Swedish roads. These trucks can transport 15% more timber and reduce environmental impact at the same time. A limited, but growing, part of the road network in Northern Sweden is available for 74-tonne trucks. SCA is working to make a greater number of roads available for these more efficient trucks. SCA swaps timber with other forest products companies to reduce transport distances to industry and thereby reduce costs and emissions as much as possible.

Delivery of finished products

During a turbulent year such as 2020, it has been particularly important to have our own logistics organization and control over transportation. This contributed to swift and flexible solutions as conditions changed rapidly.

Most of SCA's finished product transportation uses ships. SCA's exit from the publication paper area changes the situation for logistics. Pulp and solid-wood products are transported using bulk carriers and containers. The planned expansion of the ports in Sundsvall and Umeå allows for larger vessels and more efficient container handling.

SCA operates container feeders between Umeå, Sundsvall and Rotterdam, where containers are reloaded to and from ocean-going vessels, barges and rail.

SCA's RoRo vessels are being optimized to transport kraftliner. These vessels operate scheduled services and timetables between SCA's terminals in Umeå, Sundsvall, Kiel, Rotterdam and London.

The use of this transportation system enables SCA to maintain a high level of customer service at low transportation cost and environmental impact.

To optimize capacity utilization, SCA offers cost-efficient logistics solutions for external customers. Both RoRo and container ships are used to ship freight mainly northbound from terminals on the continent. These ships deliver, i.a., input goods to industry and consumer products in Southern and Central Sweden, before taking the empty containers to SCA's industries in the north.

Within Sweden, SCA operates rail shuttles between Piteå, Umeå and Skövde for deliveries to customers in southern Scandinavia. The same block trains transport production materials northbound.

◀ The share of containerized freight transport of SCA's products is constantly increasing.



A sustainable path towards 2030



SUSTAINABLE DEVELOPMENT

Sustainability is an integrated part of SCA's entire business. In order to make long-term priorities and to ensure sustainable development, SCA has set Group targets to be achieved by 2030.

<p>Fossil-free world</p>	<p>Valuable forests</p>	<p>Efficient use of resources</p>	<p>Responsibility for people and communities</p>
<p>SCA generates climate benefits through growing forests that binds CO₂, renewable products that replace fossil-based products and lowering emissions from its own value chain.</p>	<p>SCA's forests shall be at least as rich in biodiversity, nature experiences and raw material in the future as they are today.</p>	<p>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.</p>	<p>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.</p>
<p>Group target 2030 Increase SCA's climate benefit from 10 to 15 million tonnes of CO₂ per year.</p>	<p>Group target 2030 100% of wood raw material to come from responsibly managed forests.</p>	<p>Group target 2030 Zero waste.</p>	<p>Group target 2030 An accident-free and healthy SCA.</p>

Profitable growth

Long-term profitable growth is a prerequisite for sustainable development.
Group target 2030: Leading total shareholder return.

Values

With the force of the forest, we contribute to a sustainable future.
Group target 2030: All employees comply with SCA's Code of Conduct.

Sustainability as part of the business model

From well-maintained forests, SCA harvests a renewable raw material to manufacture products in its resource-efficient value chain, products that can replace those that leave a bigger carbon footprint.

Sustainability is an important aspect in each of the company's activities. In crucial areas, SCA can contribute to sustainable development, but the company must also strive to reduce any environmental impact from its operations. It is important to have a holistic view to find an optimal balance between different sustainability priorities.

The sustainability platform describes SCA's entire business. In order to deliver progress in sustainability, the company has adopted Group targets in particularly important areas where SCA can make a key contribution towards sustainable development.

These long-term targets will guide long-term priorities. The targets, which are also broken down into interim targets, are to be achieved by 2030.

◀ SCA has the capacity to produce more than 100 million seedlings per year.



FOSSIL-FREE WORLD

Increased climate benefit

SCA ANNUAL AND SUSTAINABILITY REPORT 2020



Growing forests bind CO₂ and renewable products replace fossil-based products. SCA's climate benefit, which is already substantial, is to increase by 50% by 2030.

Forest, products and low emissions

The climate is becoming warmer and the main reason for this is human use of fossil carbon and the resulting emissions of greenhouse gases.

SCA's operations impact the climate in three ways. Trees bind CO₂ when they grow and SCA's forests have a high level of net growth. SCA manufactures products from the wood obtained from these forests to replace products that leave a much bigger carbon footprint. Wood substitutes steel and concrete. Paper substitutes plastic. Biofuel substitutes fossil fuels. By using products based on renewable forest raw material, fossil carbon stays in the ground. SCA's activities do, however, give rise to fossil carbon emissions, particularly from the transportation of raw materials and products.

SCA delivers climate benefit

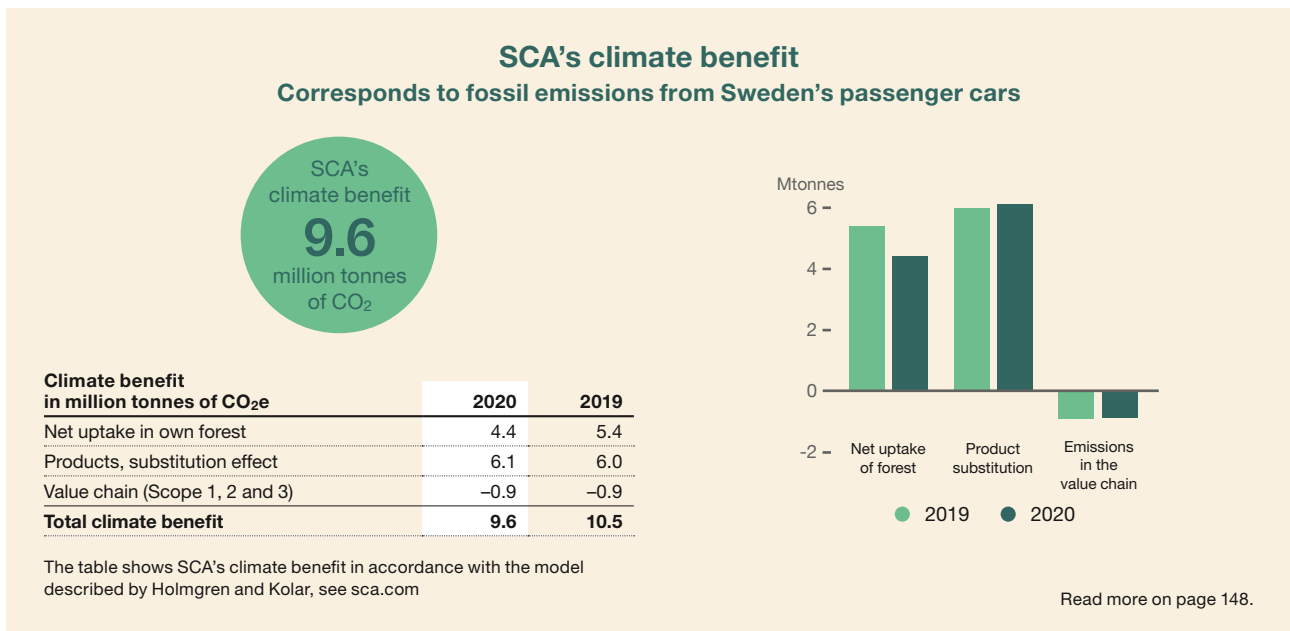
SCA's target is to increase its climate benefit by 50% by 2030. To achieve this, the company must work on all three areas.

SCA will continue to manage its forest to generate valuable growth and will increase its forest assets through acquisitions. The company will increase production of renewable products and develop products that contribute even more to combating climate change, for example by increasing biofuel production. Finally, SCA is to halve the greenhouse gas emissions from the entire value chain by choosing efficient and sustainable technology.

Increased production of renewable electricity

SCA's forests not only produce renewable raw materials, but also offer locations with favorable wind conditions. A further contribution to climate efforts is the wind power generated on the company's land. SCA prepares investments in wind power production that are undertaken by the company's partners.

The capacity of existing turbines and for turbines under construction will amount to 9 TWh in 2023. The target is to reach a capacity, in operation or being built, of 11 TWh in 2025, equivalent to the electricity needed for the electrification of all passenger cars in Sweden.





VALUABLE FORESTS

Preserving biodiversity

SCA ANNUAL AND SUSTAINABILITY REPORT 2020

VALUABLE FORESTS



All flora and fauna in SCA's forests are to have a habitat in which they can live long into the future. Accordingly, SCA is improving the precision in biodiversity conservation in the forest.

Nature conservation in forestry

Forests in Northern Sweden grow slowly and the rotation period between harvests is close to 100 years and sometimes even longer. 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, habitats are protected for most of the forest's flora and fauna.

Large parts of SCA's forest holding consists of 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 Sami communities that herd reindeer on SCA's land. These measures may involve postponing the harvest of trees with lichen or adapting snow clearance on forest roads to help migrating reindeer.

Create and protect habitats

However, there are flora and fauna that are adversely impacted by forest operations despite good conservation measures. These are species with specific requirements on their habitats. This may involve species that need burned earth or wood, or species that need old, dying deciduous trees. Species may also need conditions that are stable and undisturbed by forest operations for many years.

SCA has identified 203 species on the Swedish Red List with special requirements on their habitats. We refer to this as our species commitment. The company has made special plans for these species to ensure access to suitable habitats. This may involve identifying the habitats to set aside from forest operations, or creating new habitats that forest operations with general retention measures do not create.

Responsible wood supply

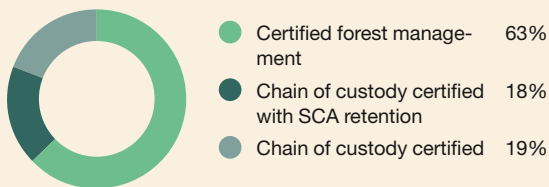
All of SCA's forest holding is certified under both FSC and PEFC. Approximately 52% of the company's need for raw materials comprises wood from its own forests and woodchips from its own sawmills. The remaining raw materials are purchased from private forest owners in Northern Sweden, other forest companies and forest owner associations. A small share is imported. The traceability of the wood raw material is ensured by SCA's wood sourcing being third-party certified in accordance with FSC Chain of Custody and PEFC Chain of Custody.

SCA strives to maximize the proportion of certified wood raw material by encouraging its wood suppliers to certify their forest operations. As a minimum requirement, the raw material must comply with FSC's Controlled Wood Standard. This means that SCA actively refrains from purchasing illegally harvested forest or forest from controversial sources. It also safeguards that the timber is harvested with the appropriate nature conservation measures.

Responsible forest management

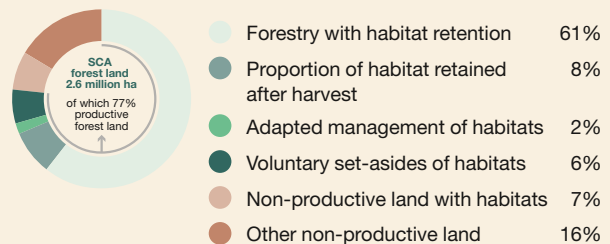
Through responsible fiber sourcing in combination with the protection of biodiversity

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



Read more on page 151.



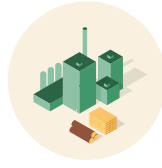
EFFICIENT USE OF RESOURCES

Zero waste

SCA ANNUAL AND SUSTAINABILITY REPORT 2020



EFFICIENT USE OF RESOURCES



SCA strives for efficient resource utilization in every link of the value chain. By-products are used as raw material for new production processes or for energy. The ambition is zero waste.

Increased benefit through innovation

SCA has made a great deal of progress in terms of making use of raw materials, by-products and side streams. But there still remains a big potential 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. Using modern technology to see inside logs, it is possible to precisely manufacture solid-wood products that take full advantage of the log's potential. This yields higher value and less waste. The entire tree is used.

Resource efficiency at every stage

SCA continuously works to further improve resource efficiency. The sawmills work in various ways to improve yield and the pulp mills to improve wood consumption levels. Currently, more than 65% of fresh fiber is used for wood products, paper, pulp and pellets. Other valuable products, such as tall oil and turpentine, are extracted and processed. The remaining raw material is used for energy, with as much as possible used to generate electricity.

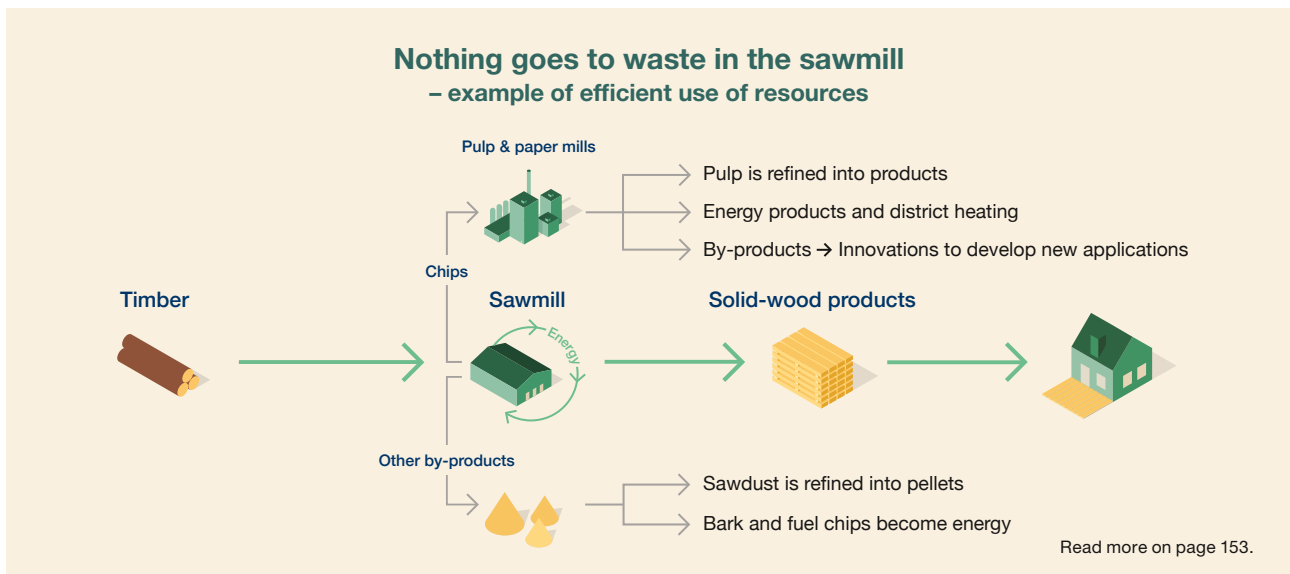
Water is in short supply worldwide. SCA's operations are located in a geographical area with a plentiful supply of fresh water. Fresh water is almost entirely obtained from surface water supplies and is reused several times in the company's processes. Today the focus is on minimizing the environmental impact by working to reduce emissions to water and air.

Efficient transportation

Transportation is an important component of SCA's operations, both in terms of transporting raw materials to the company's industries and to transport end products to our customers. SCA always strives to optimize transport solutions, for example through load optimization and coordination.

An efficient railway system and trucks that can carry heavier loads without increasing road wear are important ways to develop raw material transportation.

Larger vessels and an efficient container system improve the effectiveness of transporting finished goods and reduce environmental impact. Efficiency is further improved by handling external freight in northward flows.





RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

Everybody should return home safe and sound

SCA ANNUAL AND SUSTAINABILITY REPORT 2020





SCA works systematically to achieve a health and safety culture where all employees are engaged and look out for each other. In 2020, the coronavirus pandemic created new demands on planning for the health and safety of employees.

Accident-free and healthy

As part of the Zero program, SCA endeavors to create a mature health and safety culture throughout the company and to reduce the number of accidents towards zero. Positive progress was made during the year. Change is continuing as SCA moves toward its strategic objective.

The coronavirus pandemic has entailed dramatic new circumstances for SCA's employees and operations. When the pandemic broke out, restrictions were introduced on visitors and travel to reduce the risk of spreading the virus, to protect risk groups and to keep up operations and supplies. Workplaces and procedures were adapted to ensure that employees could work safely.

One particular challenge was the necessary maintenance stops carried out by SCA's paper and pulp industries, where a large number of experts from different engineering and service companies are needed to provide focused action for a limited time. Due to careful planning and targeted action, the maintenance stops were carried out without disruption or increasing the spread of the virus.

Responsible restructuring

During the year, SCA resolved to discontinue its publication paper operations following decades of shrinking demand, further accelerated by the coronavirus pandemic. Some 800 employees

have been affected. Most of these are at the Ortviken paper mill in Sundsvall, though the organization and staffing levels in all parts of the Group were re-sized according to the new situation.

On the day the decision was taken, all of the affected employees were informed about the changes as quickly as possible. At the same time, as negotiations began about the discontinuation of publication paper operations, SCA initiated collaboration with the Sundsvall Municipality and with organizations providing support during transitions.

SCA is investing in the production of chemi-thermomechanical pulp (CTMP) at the Ortviken industrial site and during the year signed an agreement with the textile recycling company Renewcell, who will set up a new production entity creating about 100 jobs in Ortviken.

Creating value in the local community

SCA makes an active contribution to vibrant local communities and to regional development. SCA's operations contribute positively in both direct and indirect ways, such as job opportunities, revenues from timber sales for private forest owners and work opportunities for contractors and sub-suppliers. In addition, SCA provides income and experiences from hunting, fishing, recreation and local associations. SCA supports local sports clubs and cultural associations to help provide meaningful leisure activities and attractive places to live.





The share and the shareholders

The SCA share is quoted and traded on Nasdaq Stockholm. In 2020, the company's share price increased by 51% and the market capitalization was approximately SEK 101bn at the end of the year.

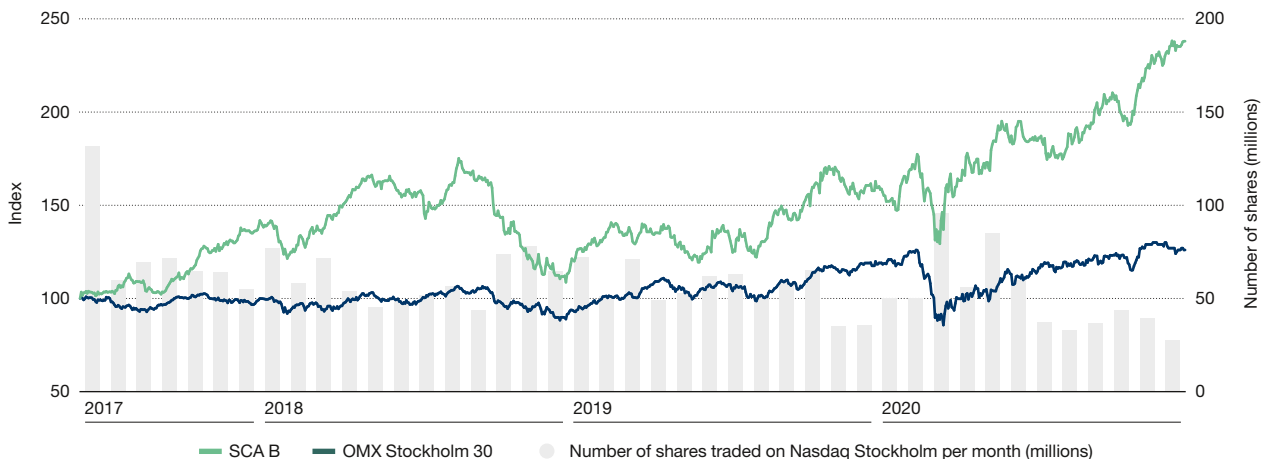
Share performance 2020

At the end of 2020, SCA's Class B share was listed at a price of SEK 143.30 (95.00) and SCA's Class A share at SEK 147.80 (99.90), corresponding to a market capitalization of SEK 101bn (67). SCA's Class B share increased by 51% (38) during the year. During the corresponding period, the index of the 30 most traded shares, OMX Stockholm 30, rose by 6% (26). The highest closing price for SCA's Class B share was SEK 143.45, which was noted on December 16. The lowest closing price was SEK 77.88, noted on March 18 during a period when the stock market as a whole was negatively impacted by the initial phase of the pandemic. The total shareholder return for SCA's Class B share in 2020, being the share performance during the year combined with the dividend, was 51%, which compares with total shareholder return for OMX Stockholm 30 of 7%. Since the distribution of Essity in 2017, the total return for SCA's Class B share has been 138%, which compares with total return for OMX Stockholm 30 of 26%.

Share trading

During 2020, trading on all marketplaces amounted to approximately 1,611 (1,658) million SCA shares. The largest share of trading was on Nasdaq Stockholm, where some 606 (670) million SCA shares exchanged hands. Average daily trading for SCA on Nasdaq Stockholm amounted to approximately 2.6 million shares. During the year, the SCA share was also traded on other market places, of which approximately 137 million shares on CBOE Chi-X, approximately 32 million shares on Turquoise and approximately 836 million shares on other market places.

Total shareholder return, index



Ownership structure

SCA had approximately 105,000 shareholders as of December 31, 2020. Some 61% (67) of the share capital was owned by Swedish investors and 39% (33) by investors outside of Sweden at the end of the year. The US and Norway accounted for the highest percentage of shareholders registered outside Sweden.

Share structure

SCA's share capital comprises two classes of shares, shares of Class A and of Class B. Each Class A share carries ten votes and each Class B share carries one vote. Class A and Class B shares hold the same right to dividends. Both share classes are listed on Nasdaq Stockholm and are part of the Large Cap segment.

Dividend and dividend policy

SCA aims to provide long-term stable and increasing dividends to its shareholders. When the cash flow from current operations exceeds that which the company can invest in profitable growth over the long term, and under the condition that the capital structure target is met, the surplus shall be distributed to the shareholders.

No dividend was paid for the 2019 fiscal year due to the uncertainty surrounding the coronavirus pandemic. The Board of Directors proposes a dividend of SEK 2.00 per share for the 2020 fiscal year.

Shareholder communication and equity analysts

Information about the company in the form of reports, presentations and financial data, as well as an up-to-date list of analysts monitoring SCA, are available at sca.com.



THE SHARE AND SHAREHOLDERS

SCA's ten largest shareholders, as of December 31, 2020

Shareholders	No. of Class A shares	No. of Class B shares	Capital (%)	Votes (%)
Industrivärden	33,785,290	38,300,000	10.3	29.3
Norges Bank	8,066,000	42,446,457	7.2	9.6
AMF Pension & Fonder	2,015,000	68,282,868	10.0	6.9
Handelsbanken Pension fund	3,827,747	5,846,050	1.4	3.4
Alecta Pensionsförsäkring		30,586,095	4.4	2.4
Swedbank Robur Funds		26,990,859	3.8	2.1
T. Rowe Price		22,909,135	3.3	1.8
BlackRock		22,198,763	3.2	1.7
Vanguard	195,098	17,545,150	2.5	1.5
Livförsäkringsbolaget Skandia	1,477,226	4,267,382	0.8	1.5
Ten largest	49,366,361	279,372,759	46.8	60.2
Other	15,221,311	358,382,058	53.2	39.8
Total	64,587,672	637,754,817	100.0	100.0

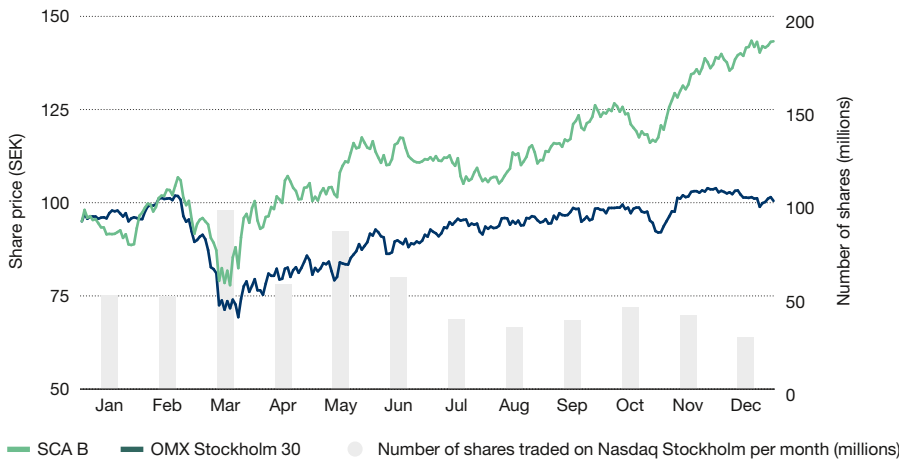
Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for certain shareholders.

Shareholder structure, as of December 31, 2020

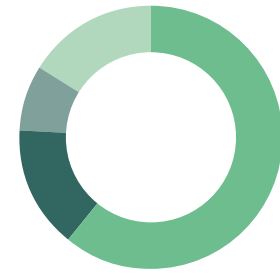
Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1-500	77,448	10,407,392	1.5	1.7
501-1,000	12,154	9,370,910	1.3	1.5
1,001-5,000	12,692	27,570,600	3.9	4.5
5,001-10,000	1,699	12,199,348	1.7	2.0
10,001-20,000	668	9,430,465	1.3	1.3
20,001-50,000	337	10,637,009	1.5	1.6
50,001-100,000	123	8,765,769	1.2	1.2
100,001-	243	564,663,312	80.4	82.8
Anonymous owners		49,297,684	7.0	3.4
Total	105,364	702,342,489	100.0	100.0

Source: Modular Finance.

Share price and trading volume 2020



Shareholders by country, capital



Sweden	61%
US	15%
Norway	8%
Other	16%

Earnings per share (SEK)¹⁾

3.19

¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

Proposed dividend per share (SEK)

2.00



Board of Directors' Report

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land in Northern Sweden and the Baltic states. The forest is a real asset, which grows each year and forms the core of SCA's operations. Around this renewable resource SCA has built a well-invested and efficient value chain, which maximizes the value of each tree.

Operations and organizational structure

The core of SCA's operations is the forest. Around this resource, SCA has built an integrated and well-invested industry, which utilizes and maximizes the value of the entire tree. Using the raw materials, SCA develops products for customers all over the world with high demands on quality, delivery reliability, service and sustainability.

The most valuable part of the tree is used for sawlogs and as much as possible of the timber is sawn to become solid-wood products for industrial customers and the building materials trade. Bark is used in energy production. Woodchips together with the upper part of trees are used to make pulp and paper for further processing by customers into tissue and packaging. Sawdust is used to make pellets for energy production at SCA and externally. Steam and by-products from pulp production are used to deliver heat to the local district heating system, generate green electricity and in the future also produce liquid biofuels or green chemicals.

Organization and reported segments

SCA is organized into five business areas and one supporting unit.

Business areas

- The Forest business area has the overall responsibility to supply SCA's industries with wood raw material. The business area is responsible for managing and harvesting on SCA's own forest land in Sweden and the Baltic states, for sourcing wood raw material from other forest owners and for transporting the wood raw material to SCA's industries.
- The Wood business area is responsible for the solid-wood business, which comprises five sawmills in Sweden, wood processing units and distribution and wholesale operations for wood products in Sweden and France.
- The Pulp business area is responsible for the pulp business, consisting of kraft pulp (NBSK) and chemi-thermo-mechanical pulp (CTMP), both currently produced at the Östrand pulp mill.
- The Containerboard business area is responsible for the containerboard business, with manufacturing of kraftliner at the Obbola and Munksund paper mills. In 2020, SCA decided to discontinue publication paper operations.
- The Renewable Energy business area operates and develops SCA's business in the renewable energy segment, which includes the development of wind power projects, pellets manufacturing and sales, and the use of biomass and by-products from industry in energy production.

The supporting unit Sourcing & Logistics includes SCA's common sourcing functions. The unit is also responsible for SCA's logistics system for deliveries to customers using specially adapted vessels and terminals both in Sweden and in key foreign markets.

Staff functions

SCA has five corporate staffs: Communications, Human Resources, Finance, Legal Affairs and Strategic Development.

Segments

SCA's financial reporting is conducted in four segments, which are slightly different to the business areas described above, since Renewable Energy is not a separate segment.

The forest segment includes the Forest business area and activities in sustainable energy linked to the forest that are managed by the Renewable Energy business area, primarily wind power leases and the sale of by-products from the forest for energy purposes. The Wood segment includes the Wood business area and the activities linked to the sawmills that are managed by the Renewable Energy business area, primarily pellets production.

The Wood, Pulp and Containerboard segments also include an allocation of the results of the support unit Sourcing & Logistics, equivalent to the resources of the support unit used by each business area. The Forest business area does not use the support unit's logistics services.

BOARD OF DIRECTORS' REPORT

Organization



Events during the year

Investments

Investment in expanded pulp capacity

During the year, SCA decided to invest SEK 1.45bn in the production of chemi-thermomechanical pulp (CTMP) to achieve an annual production volume of 300,000 tonnes of CTMP pulp at Ortviken. Existing infrastructure and some parts of the pre-existing publication paper production facility will also be utilized. The investment will begin in 2021 and production is expected to start in the new facility in early 2023. Today SCA has a capacity of 100,000 tonnes of CTMP pulp at the Östrand pulp mill. This production will be phased out when the new facility begins operation. The investment is recognized as a strategic investment.

SCA invests in Obbola kraftliner mill

In 2019, SCA decided to build a new paper machine for the production of kraftliner at its Obbola paper mill in Umeå Municipality. Production in Obbola will increase from the current 450,000 tonnes of kraftliner to 725,000 tonnes per year to meet an expected increase in demand for renewable packaging. The total investment will be approximately SEK 7.5bn over a five-year period and is recognized as a strategic investment. The investment includes environmental investments of approximately SEK 1bn, which, for example, will reduce oil consumption by 8,000 cubic meters per year and improve the water treatment capacity. The investment will also replace necessary reinvestments in Obbola of about SEK 2.5bn.

The new paper machine is being constructed in a new building, alongside the current paper machine. This means the plant will be in full operation during the construction period and will switch over from the old machine to the new one ahead of the start-up of the new facility in 2023. The new machine's ramp-up to full capacity is expected to take three years. The investment is on schedule and on budget.

New dry sorting line in Bollsta

SCA resolved in 2019 to construct a new dry sorting line at the sawmill in Bollsta that will replace two old lines. The total investment will amount to about SEK 600m over a three-year period and is funded within the company's existing framework for current capital expenditure. The reinvestments will concentrate operations to a single location, which will reduce production costs, increase efficiency and create a clear foundation for continued expansion.

Acquisitions

Acquisition of forest land in the Baltic states

During the year, SCA acquired forest in Latvia with a land area of approximately 19,150 hectares, of which approximately 13,200 hectares is forest land. The acquisition strengthens SCA's long term opportunities to source timber in the region. The transaction was completed in the fourth quarter of 2020 and the purchase price was approximately SEK 450m. At the end of the year, SCA's forest holding in the Baltic states totaled just over 40,000 hectares of forest land.

Discontinuations

SCA discontinues publication paper manufacturing

SCA decided in September 2020 to discontinue the publication paper operations consisting of three paper machines at the Ortvik industrial site with annual sales of approximately SEK 4bn. Demand for publication paper in Western Europe has declined by more than 5% per year since 2008. The outbreak of the coronavirus pandemic has accelerated this decline in demand for SCA's publication paper grades by an additional approximately 30%. All three paper machines were closed sequentially during the first quarter of 2021.

The discontinuation of publication paper operations generated one-off items that had a negative impact on profit for the year. A summary of the one-off items primarily related to the discontinuation of publication paper operations is shown in the table below. On December 31, 2020, provisions totaled SEK 756m. For further information concerning provisions, see Note D8 on page 111. The earnings impact from these one-off items is recognized in the segment Other.

SEKm	2020
Provisions arising from restructuring costs	-756
Impairment of working capital	-272
Other	-19
Impact on EBITDA	-1,047
Impairment of non-current assets	-647
Impact on operating profit	-1,694

SCA divests Wood Supply UK

During the fourth quarter, SCA divested Wood Supply UK, which manufactures and distributes wood and wood-based products for the building materials trade in the UK. SCA will retain its organization for the sale of solid-wood products to industrial customer in the UK. The sale is expected to reduce the SCA Group's net sales by about SEK 1,400m per year and EBITDA by approximately SEK 25m per year. Net debt decreased by about SEK 150m due to the transaction.

Forest survey

Increase in standing volume in new forest survey

SCA performed a new forest survey in 2019. According to the new survey, SCA's standing volume in Sweden was estimated at 252 million m³fo as of December 31, 2019, of which 249 million m³fo is in Sweden and 3 million m³fo is in the Baltic states, an increase of 11 million m³fo compared with the previous inventory.

The annual net growth in SCA's Swedish forest holding amounts to approximately 10.5 million m³fo, according to the new survey. This is 1 million m³fo higher than the estimate in the previous survey. SCA's total standing volume amounted to 257 million m³fo as of December 31, 2020, of which 5 million m³fo is in the Baltic states.

Higher growth enables increased harvesting

Higher growth gives greater long-term harvesting potential and means an increase in the contribution made by SCA's forests to reducing the adverse effects of climate change. Based on the new forest survey a new harvesting calculation was conducted at the beginning of 2020, and according to this the planned annual harvesting can gradually increase from the previous 4.3 million m³sub in 2020 to about 5.4 million m³sub in 2025. The new harvesting plan also contributes to a gradual increase in long-term cash flow with full effect from 2025, when the increased harvesting level is expected to give a positive impact on cash flow of SEK 300–400m per year.

Financial performance

Net sales

Following a period with a weaker market, falling prices and rising inventory levels in the first half of 2020, the market gradually improved for all product categories except publication paper, which continued to weaken. Net sales amounted to SEK 18,410m (19,591), a decrease of 6%, of which price/mix accounted for -8%, volume for 2%, currency for 1% and divestments for -1%. The decrease was mainly related to lower selling prices in all segments and lower delivery volumes in publication paper, which were offset by higher delivery volumes in other product categories.

In addition to net sales, SCA's other operating income amounted to SEK 1,620m (2,191) in 2020. Other operating income comprises products and services that are not finished products in Wood, Pulp and Paper, such as energy products, sales of freight services to external customers and wind power leases.

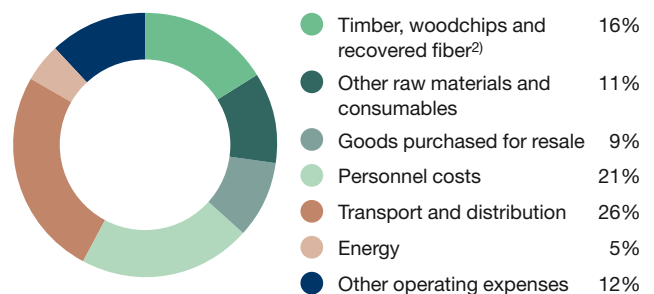
SCA is an export-oriented company and approximately 85% of net sales relate to sales outside of Sweden. The largest individual export markets are the UK (19% of net sales), Germany (12%) and France (5%).

Cost structure

SCA's total operating expenses in 2020 were SEK 15,590m (16,463), a decrease of 5% compared to 2019. Operating expenses were reduced due to a positive change in the value of biological assets of SEK 1,262m (717), due to lower timber costs, woodchip costs and recovered fiber costs. The largest share of the cost base comprises sourced timber, woodchips and recovered fiber (16%), other raw materials and consumables (11%), personnel costs (21%) and transportation and distribution costs (25%).

Research and development (R&D) costs during the year amounted to SEK 42m (41), corresponding to 0.2% of consolidated net sales.

Cost structure 2020¹⁾



¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

²⁾ Timber, woodchips and recovered fiber also includes the change in inventories and the change in value of biological assets.

BOARD OF DIRECTORS' REPORT

Performance

EBITDA decreased to SEK 3,393m (21,361), mainly related to two material one-off items, a negative earnings impact from the discontinuation of publication paper operations of SEK –1,047m and a positive earnings impact of approximately SEK 16bn from the changed accounting method for valuation of forest assets in 2019.

EBITDA, adjusted for the one-off items above, amounted to SEK 4,440m (5,319), corresponding to an EBITDA margin of 24.1% (27.2). The decline was primarily due to lower selling prices in all segments and lower delivery volumes for publication paper, which was offset by higher delivery volumes of mainly pulp, a higher share of harvesting from SCA-owned forest, higher earnings from the revaluation of biological assets and lower raw material costs.

Depreciation, amortization and impairment amounted to SEK 2,248m (1,696). Impairment of non-current assets related to the discontinuation of publication paper operations amounted to SEK 647m.

Operating profit adjusted for one-off items relating to the discontinuation of publication paper operations, amounted to SEK 2,839m (3,703).

Financial items amounted to SEK –117m (–126).

The Group's tax amounted to SEK 261m (4,017). One-off items related to the discontinuation of publication paper operations resulted in a reduction in the provision for deferred tax of SEK 223m. The changed accounting method for the valuation of forest assets resulted in an increased provision for deferred tax of approximately SEK 3bn in 2019.

Earnings per share amounted to SEK 1.09 (22.10) Excluding the effect of one-off items related to the discontinuation of publication paper operations and changed accounting method for the valuation of forest assets, earnings per share amounted to SEK 3.19 (4.05).

Condensed consolidated income statement

SEKm	2020	2020 ¹⁾	2019	2019 ²⁾	Comparison % ³⁾
Net sales	18,410	18,410	19,591	19,591	–6
Other operating income	1,620	1,620	2,191	2,191	–26
Operating expenses	–16,637	–15,590	–421	–16,463	–5
EBITDA	3,393	4,440	21,361	5,319	–17
Depreciation	–2,248	–1,601	–1,696	–1,616	–1
Operating profit	1,145	2,839	19,665	3,703	–23
Financial items	–117	–117	–126	–126	
Profit before tax	1,028	2,722	19,539	3,577	–24
Taxes	–261	–483	–4,017	–730	
Profit for the period	767	2,239	15,522	2,847	–21

Key figures

EBITDA margin, %	18.4	24.1	109.0	27.2
Earnings per share	1.09	3.19	22.10	4.05

- ¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.
- ²⁾ Excluding the impact of the changed accounting method for the valuation of forest assets.
- ³⁾ Comparison excluding the effect of one-off items related to the discontinuation of publication paper operations in 2020 and the effect of changed accounting method for the valuation of forest assets in 2019.

Reasons for changes in EBITDA (%) in 2020 compared with 2019¹⁾

	2020
Price/mix, %	–34
Volume, %	1
Raw material costs, %	21
Energy costs, %	–2
Currency, %	4
Other, %	–7
Total, %	–17

- ¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations in 2020 and the effect of changed accounting method for the valuation of forest assets in 2019.

BOARD OF DIRECTORS' REPORT

Credit structure and available credit facilities

Committed credit amount, SEKm ¹⁾	Maturity years						
	Dec 31, 2020	2021	2022	2023	2024	2025	2026+
Syndicated credit facilities ²⁾	7,000				5,000	2,000	
Bilateral credit facilities	2,259 ³⁾			1,918			
Commercial paper							
Bond issues (MTN)	3,700	1,200				1,300	1,200
Bilateral loans	5,346		660	825	846	826	2,190
Total	18,305	1,200	660	2,743	5,846	4,126	3,390

¹⁾ Whereof drawn loans amounted to SEK 9,046m

²⁾ All syndicated credit facilities are unutilized

³⁾ Undrawn portion amounted to SEK 1,918m

Cash flow

The operating cash surplus amounted to SEK 2,792m (4,382). The cash flow effect of changes in working capital was SEK 1,131m (-186). Current capital expenditures, net, totaled SEK -1,224m (-1,132). Operating cash flow was SEK 2,688m (2,922).

Strategic capital expenditures during the year mainly relate to the expansion of Obbola and amounted to SEK -1,414m (-1,256). The cash flow effect of acquisitions amounted to SEK -462m (-1,115) and primarily related to the acquisition of forest land in the Baltic states. The cash flow effect of the divestments was SEK 63m (370). Paid tax amounted to SEK -35m (-652).

Operating cash flow statement

SEKm	2020	2019
Operating cash surplus	2,792	4,382
Change in working capital	1,131	-186
Current capital expenditures, net	-1,224	-1,132
Other operating cash flow	-11	-142
Operating cash flow	2,688	2,922
Financial items	-117	-126
Paid tax	-35	-652
Other	0	2
Cash flow from current operations	2,536	2,146
Company and asset acquisitions	-462	-1,115
Divestments	63	370
Strategic capital expenditures in non-current assets	-1,414	-1,256
Cash flow before dividend	723	145

Financial position

SCA's capital employed totaled SEK 79,834m (77,107) as of December 31, 2020, an increase during the year of SEK 2,727m.

SCA's net debt totaled SEK 7,671m (8,597) as of December 31, 2020, a decrease of SEK 926m. The Net debt to EBITDA ratio was 1.7 (1.6) and the debt to equity ratio was 10.6% (12.5).

At December 31, 2020, gross debt amounted to SEK 10,354m, with an average maturity of 4.5 years (including the lease liability). The loan structure consists of bonds and bilateral bank loans. The lease liability amounted to SEK 751m. Unutilized credit facilities amounted to SEK 8,918m. Cash and cash equivalents amounted to SEK 1,273m at the end of the period.

Balance sheet structure

SEKm	Dec 31, 2020	Dec 31, 2019
Forest assets	74,900	69,682
Deferred tax liabilities related to growing forest	-14,977	-13,977
Working capital	2,759	3,748
Other capital employed, net	17,152	17,654
Total capital employed	79,834	77,107
Net debt	7,671	8,597
Net debt/EBITDA	1.7x	1.6x
Equity	72,163	68,510
Net debt/Equity, %	10.6	12.5



Other Group information

Parent Company

The purpose of the Group's Parent Company, Svenska Cellulosa Aktiebolaget SCA (publ), is to own and manage shares in a number of subsidiaries and perform Group-wide management and administrative functions. The Parent Company also owns a large share of the company's forest assets. The company is a Swedish limited liability company domiciled in Sundsvall with the corporate registration number 556012-6293.

In 2020, operating income amounted to SEK 273m (235) and profit before tax amounted to SEK -120m (-4). For more information, refer to pages 126-134.

Holdings of treasury shares

SCA holds no treasury shares.

Distribution of shares

The total number of shares as per December 31, 2020, amounted to 702,342,489, of which 64,587,672 Class A shares and 637,754,817 Class B shares. No change was made to the number of Class A and Class B shares during the year.

Dividend

The Board of Directors proposes a dividend of SEK 2.00 per share or SEK 1,405m. The record date for entitlement to receive dividends is proposed as April 19, 2021.

Environmental impact in Sweden

In 2020, SCA operated 12 manufacturing sites for which a permit is required in Sweden. The value of deliveries from operations for which permits are required accounted for more than 90% of consolidated net sales in 2020. Four permits relate to the manufacture of pulp and paper. These operations impact the environment through emissions to air and water, solid waste and noise. Seven permits relate to the production of solid-wood and processed wood products, and biofuels and one permit pertains to the manufacture of fuel pellets. These operations impact the environment through emissions to air and water, and noise.

Guidelines for remuneration of senior executives

The 2020 AGM decided on the guidelines for determining salaries and other remuneration for senior executives. The guidelines apply until the 2024 AGM, unless material changes are implemented prior to that date.

SCA's current guidelines for the remuneration to senior executives are described in Note C3. Information about the application of the current guidelines and the costs for the remuneration to senior executives is also described in Note C3 and in SCA's remuneration report, which is available on www.sca.com.

SCA's sustainability reporting in accordance with the Annual Accounts Act

Sustainability work is integrated into SCA's operations, making it natural to allow sustainability reporting, in accordance with the Swedish Annual Accounts Act Chapter 6, Section 11, to be part of a combined Annual Report and Sustainability Report 2020. This report relates to Svenska Cellulosa Aktiebolaget SCA (publ) and its subsidiaries (refer to Note F1 on page 122). The SCA Group, its operations and business model are described in the Board of Directors' Report on page 60. The Sustainability Report was submitted to the auditor at the same time as the Annual Report.

Governance of the sustainability agenda is described in the Corporate Governance Report and in the Sustainability facts section. SCA's Code of Conduct is the

Group's primary steering document and sets, together with the Group's Sustainability Policy, the basis of SCA's sustainability agenda. Follow-up and evaluation of these policies complies with SCA's procedures for internal control and audits, as described in the Corporate Governance Report on pages 71-77. In addition, SCA's sustainability targets and priorities are also monitored through the Group's Sustainability Council.

The management of material risks in the sustainability area constitutes part of the Group's overall work with identifying and handling risks. This process, identified risks and managing these risks are described in the Board of Directors' Report.

The strategic priorities for sustainability work, where SCA's value chain can be affected, how the areas are material for SCA's stakeholders, how they are governed and the most important result indicators are described in the sustainability facts, refer to the table on pages 138-139. The table also shows how social conditions, personnel issues, the environment, human rights and anti-corruption form part of SCA's sustainability agenda.

In addition to the information above, SCA's sustainability work and the outcome of this work is described in the Sustainability facts section, pages 135-162 and divided by area in the Swedish Annual Accounts Act according to the table below:

Area	General	Social conditions and employees	Environment	Human rights	Anti-corruption
Business model	8-9, 12-13				
Policies and results	141, 138-139	156-159	145, 148-149, 151-155, 160-161	144-146	145-146
Risks and risk management	66-70	68-69	67-69	67-69	67-69
Targets and outcomes	137, 139, 170-171	139, 145, 159	139, 145, 160-161	139, 146	139, 145-146



Risks and risk management

SCA is exposed to a number of risks. These risks pertain to factors or events that may impact SCA's brand and ability to be a credible and sustainable company with good profitability over time. Through effective risk management, SCA is proactive in minimizing the risk and in reducing the negative effects should identified factors or events occur.

Many of the factors or events described could have a positive or negative impact on the Group. Examples include "Demand and market price for SCA's products" and "Raw material prices".

SCA has chosen not to describe the coronavirus pandemic as a specific risk but instead has taken this into account in each risk assessment. In 2020, there has been limited impact on production and deliveries of SCA's products. There remains great uncertainty and the pandemic may impact SCA in 2021.

Processes for risk management

SCA's Board determines the Group's strategic direction after recommendations from Executive Management. Responsibility for the long-term, overall management of risks corresponds with the company's decision and delegation scheme. This implies that most

of SCA's operational risks are managed by SCA's business areas at the local level, but that the handling is coordinated when deemed necessary. The tools for this work primarily comprise continuous reporting by the business areas and the annual strategy process, where identifying, evaluating and managing risks are a part of the process. Identified risks are classified according to the likelihood of the risk occurring and the impact on SCA's performance. Approved control measures are followed up and assessed within the framework of the company's internal control.

SCA's financial risk management is centralized, as is the corporate internal bank for handling the Group companies' financial transactions and management of the Group's energy risks. The financial risks are managed in accordance with the Group's Financial Policy, which is set by SCA's Board. Together with the company's Instructions for energy trading, this provides a framework for management activities.

SCA has a corporate Internal Audit function. The Internal Audit ensures that SCA's organization complies with policies and other governing documents, and that the organization takes measures to manage identified risks. The Internal Audit function reports to the Board of Directors through its Audit Committee.

An assessment of the potential impact on SCA based on a combination of likelihood and financial impact.

● Low ● Medium ● High

Operational risks

Description of risk

Demand and market price for SCA's products

Demand for SCA's products is influenced by a variety of factors, such as the general economic trend, and also by more specific trends, such as trends in construction and in the building materials trade, as well as an increase in e-commerce. Other products and services can substitute SCA's products at the same time as SCA's products can replace other products and materials. SCA is benefiting from the substantial need to replace fossil materials with renewable alternatives.

Impact: ○ ○ ●

Management and comments for the year

For most of the product areas where SCA operates, there are a number of competing producers and distinct market prices. Supply is determined by the available production capacity at SCA and its competitors. Market price is determined at any time based on supply and demand. Sales contracts for SCA's products may reflect that SCA's price is a form of market price on the basis of, for example, published price indexes, though sometimes with a certain time lag compared with the development of the market. Sales contracts can also state a specific price, which normally is for an open-ended period. Variations in market prices can cause significant fluctuations in profit for SCA.

Several methods can be applied to address the risk of a fluctuating market price. Long-term contracts at fixed prices or price hedging only occur in exceptional cases. To offset the impact of price movements, at least in cases where these are negative and are expected to be long-term, measures can be taken to adapt the cost scenario, for example, by renegotiating purchasing agreements, implementing personnel or capacity reductions, and reviewing the business structure. A transition to alternative production can also be considered where this is possible.

The company's innovation efforts aim to develop new products and process solutions that enhance competitiveness.

Raw material prices and other costs for input goods and services

The market price fluctuates over time for many of the input goods and services used in the manufacture of SCA's products. This could have a positive or negative impact on earnings. 79% of SCA's cost base of SEK 15,590m is made up of raw materials, energy and other input goods and services, including distribution services. SCA's cost structure is described in the Board of Directors' Report.

Impact: ○ ● ○

The risk of price movements related to input goods and services and the impact of this variation on earnings can be managed in several ways. SCA's integrated value chain ensures that the raw material flows are integrated from forest raw materials to the finished forest products. This integration entails, in itself, risk reduction. SCA's large forest holding also entails a risk reduction. In 2020, 52% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills.

Another method used to manage the price risk is by entering financial hedges and long-term contracts. SCA is an energy-intensive company and can, according to internal rules, hedge the electricity price risk for up to 36 months. Electricity price hedging is effected through financial instruments and fixed pricing in supply agreements. In 2020, SCA's net purchases of electricity totaled 1.6 TWh (1.8). In 2021, the Group will significantly reduce its net exposure with the discontinuation of publication paper operations. For 2021, 130% of forecast electricity purchases have been hedged, and for 2022, 60%. No hedging has been carried out for 2023. Under normal circumstances, no other price risks in input goods are hedged except for electricity. Other alternatives to manage variations in costs include renegotiating contracts, looking for new suppliers or replacing input goods and services where prices have risen with other products and services that fulfill the same function.

Transport expenses account for a large share of SCA's cost base. Use of our own logistics operations enables the system to be optimized and risks minimized. Most sales are to markets with good logistics solutions and with the same cost scenario as our competitors, meaning there is no structural disadvantage.



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
<p>Environmental impact</p> <p>SCA's operations have an impact on air, water, land, noise levels and biological processes. These effects could lead to costs to prevent or limit the impact on the environment or costs to restore environments affected by SCA's operations. Demands for restoring the environment may also relate to the impact of SCA's previous, now discontinued operations.</p> <p>SCA's industrial operations in Sweden require a permit in accordance with the Swedish Environmental Code, which also generally affect SCA's operations. Permits granted stipulate limits for the scope of operations and the permitted impact on surroundings. Any expansion or changes to operations may require further action. Forest operations are also impacted by the Swedish Forestry Act and the Land Acquisition Act.</p> <p>Impact: ○ ● ○</p>	<p>SCA's Sustainability Policy details guidelines for the Group's actions in the areas of environmental and social responsibility. In addition to this, targets for people and nature are an integrated part of SCA's business strategy. Environmental risks are minimized through preventive work in the form of certified environmental management systems, control programs for compliance with environmental permits and risk analyses in conjunction with acquisitions, and remediation projects in connection with plant closures. Through its Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. The data is used for internal control and follow-up of established targets. All employees are encouraged to report observations and incidents, which are then used in efforts to achieve continuous improvements. SCA is also engaged in continuous efforts to increase the proportion of renewable energy and biofuels and to reduce the volume of production waste. A description of SCA's work and governance in this area is provided in the Sustainability facts section.</p>
<p>Climate change</p> <p>Climate change entails risk to SCA's operations. Changes to weather conditions could lead to drought, which in turn could lead to increased insect damage or fires. More storms increase the risk of storm damage. Timber harvesting and transportation could be impacted by a milder climate with more rain creating difficult terrain, particularly in the spring. Political decisions taken to reduce climate impact may affect the company in various ways.</p> <p>A changing climate could affect biodiversity in the company's forests as living conditions for various species are altered. Access to fresh water may be adversely impacted by a warmer climate.</p> <p>At the same time, climate change in the form of global warming is, to a certain extent, expected to have a positive impact by creating a more favorable climate for forest growth in Northern Sweden.</p> <p>To counteract climate change, demand is increasing for renewable and fossil-free alternatives, which favors SCA.</p> <p>Impact: ● ○ ○</p>	<p>SCA's forests are managed to minimize the risk of damage from insects, fire or storms. SCA strives to make continuous improvements together with researchers to develop forestry methods and seedling material. Good planning and flexibility is required to reduce the impact of changing driving conditions arising from shorter winters and more rainfall. The company's large and geographically dispersed forest holding increases the opportunity for flexible harvesting and decreases risk.</p> <p>SCA's plants are located in areas with a plentiful supply of water from sources considered robust. The company's facilities reuse most of the fresh water delivered and focus on reducing emissions to water.</p> <p>SCA's large forest holding has a significant positive climate impact through its net uptake of CO₂. Good forest management creates vigorous and flourishing forests, with greater resistance to climate-related damage than older, unmanaged forests. The forest also guarantees access to renewable forest raw materials. SCA works proactively to decrease its carbon footprint in its own value chain by reducing energy consumption, emissions of greenhouse gases, through transport optimization and by offering renewable products with low climate impact.</p> <p>It is difficult to predict how different species in the forest stands will be impacted by climate change. SCA is taking part in projects and monitoring developments in the area and will, whenever necessary, adapt its forest operations and its nature conservation measures.</p>
<p>Business ethics</p> <p>Unethical behavior or poor management of risk linked to business ethics can damage the company's brand and reputation in the market. SCA may also suffer fines and other legal sanctions. Through good business ethics, the company can contribute to a positive development across the value chain and minimize the risk of corruption.</p> <p>Impact: ○ ● ○</p>	<p>To ensure that SCA lives up to the company's core values and is not involved in or linked to unethical business practices, SCA has an established Code of Conduct. This includes general rules for how SCA conducts its business and how the company's employees are to act toward each other and in business relationships. The Code is reviewed each year to ensure it remains relevant. The Code includes principles on business ethics, relationships to employees and respect for human rights and the environment. All employees are educated in the Code as part of the introduction for new employees and through refresher courses. To ensure that SCA works with business partners that share these values, potential partners are evaluated before cooperation is initiated. The evaluation comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics. Suppliers are expected to comply with SCA's Code of Conduct and Supplier Standard, which is regulated in supplier agreements. SCA uses a number of methods to monitor and safeguard the implementation of the Code of Conduct. These include checks in connection with acquisitions, risk evaluation of the company's own units and suppliers, and regular on-site audits of SCA's units and of suppliers deemed to have a higher risk level. Employees are encouraged to report violations. A whistleblower system is in place and suspected violations are handled by the company's Compliance Council.</p>
<p>Legal risks</p> <p>SCA conducts operations covered by laws and rules and regulations, much of which requires permits. SCA may be subject to commercial disputes and other legal procedures.</p> <p>Impact: ○ ● ○</p>	<p>SCA monitors legal developments in relevant areas to ensure regulatory compliance. The company takes the measures required to comply with regulatory changes and provides SCA employees with relevant training. SCA is also a member of trade associations to safeguard the company's interests on legal issues. SCA's facilities continuously monitor their environmental impact and compliance with permits issued.</p>

RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
<p>Reputational risk</p> <p>Events may occur that damage SCA's reputation. This could, for example, concern an employee, contractor or other supplier who fails to comply with laws and regulations or policy documents, such as SCA's Code of Conduct. SCA could also be affected by accidents that damage the reputation of SCA and its ability to conduct the business in a safe and efficient manner.</p> <p>Impact: <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/></p>	<p>SCA performs training sessions to ensure that knowledge about regulations is transferred to SCA's employees and works to ensure that co-owned operations and staff in these companies comply with similar requirements.</p> <p>SCA has a Global Supplier Standard to ensure that SCA's suppliers and contractors adhere to the requirements imposed by SCA. SCA has systems in place to handle sudden events, such as accidents, that risk damaging confidence in SCA. The company has a procedure to ensure that new partners share SCA's values before initiating a business collaboration. Whenever necessary, audits are conducted on-site to monitor that SCA's performance levels are met. SCA regularly updates information on the company's website to satisfy the needs of different stakeholders.</p>
<p>Risks linked to the forest portfolio</p> <p>SCA is Europe's largest private forest owner, with 2.6 million hectares of forest land, of which 2 million hectares is productive forest land. There is a risk that the value of the forest portfolio decreases through infestation by pests, grazing moose, storms or fire. The value can also change through variations in demand for wood raw material in SCA's region, which in turn would impact price levels in the region. SCA's forest management may conflict with the activities of reindeer herding Sami pertaining to land use. This may also be the case for land leased out for wind power projects.</p> <p>Impact: <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/></p>	<p>SCA works proactively to improve forestry methods and seedlings to enhance forest growth. Active forest operations combined with an industry that adds value to the forest raw material is essential to secure the value of the forest asset. Since 1950, the sustainable harvesting level has more than doubled at the same time as the standing volume has increased by about 70%. The risk of infestation by pests is managed through diligent site preparation and special protection against pine weevils and spruce bark beetles. The stock of grazing moose is managed through hunting on land where SCA issues hunting licenses. SCA's forest land is spread across large areas of Northern Sweden, which means forest fires and storms can usually only impact a minor part of the forest portfolio. The forest is therefore not insured. SCA consults the relevant Sami communities in connection with forestry operations and wind power projects on SCA's land. The consultation pertains to the adaptation of forest management activities, including the scheduling of harvest operations (time), the use of fertilizers and the selection of soil preparation method and tree species when planting new forest. For wind power projects, consultation may be carried out concerning the size of the wind farm, its impact on reindeer herding and impact on Sami communities.</p>
<p>Biodiversity</p> <p>SCA uses large quantities of forest raw material which is partly from its own forest and partly from other landowners. All harvesting and replanting involves a risk of impacting biodiversity.</p> <p>Impact: <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/></p>	<p>SCA's objective is to manage the company's forest to make it at least as rich in biodiversity, nature experiences and raw material in the future as it is today. SCA is pursuing long-term and responsible forest management where biodiversity conservation measures are integrated in all forest operations. SCA strives to preserve and strengthen biodiversity in several ways. SCA makes voluntary set-asides where the company's forests with the highest conservation values are set aside from forest management. Biodiversity conservation measures also include on-site retention in all forest operations, alternative harvesting methods for continuous tree cover, and targeted action, such as wetland restoration.</p> <p>SCA's forestry management and timber procurement is certified under FSC and PEFC in Sweden and the Baltic states. SCA actively refrains from purchasing timber from controversial sources. As a minimum requirement, the timber must comply with FSC's Controlled Wood Standard.</p>
<p>Risks at production plants</p> <p>SCA has 16 production facilities, primarily in Sweden but with some manufacturing in the UK. SCA also owns facilities for distribution, such as port facilities, timber terminals and forest roads in Sweden. Poor health and safety practices at the production facilities may cause ill health or a workplace accident with substantial consequences for individual employees. Some of the facilities conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems. When major projects are undertaken, there is a risk of disruption in the existing operations.</p> <p>Impact: <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/></p>	<p>SCA has a vision of zero workplace accidents and is actively and systematically running a health and safety program to minimize the risk of personal injury and ill health. SCA is proactive in preventing accidents and when they happen, minimizing the effect. The aim is to effectively and cost efficiently protect the employees, local residents, the environment, the company's assets and the business, and to minimize SCA's risk management costs. The loss-prevention work is conducted in accordance with established guidelines that include inspections and benchmarking with other plants, within and outside SCA. Other important elements of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation. Production facilities work continuously to reduce their risks by using, for example, risk assessments and continuous improvements. All wholly owned plants are insured with market-leading insurance companies to replacement cost and for the loss of contribution margin. In order to minimize the impact of ongoing projects on operations, separate project organizations are created to work together with any existing operations on site to conduct regular follow-ups that quickly identify any disruption and take corrective action.</p>



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
<p>Impact of political decisions</p> <p>SCA's operations are influenced by political decisions and administrative rules, primarily in Sweden where SCA has much of its business, but also at EU level. This influence could be from general regulations, such as rules covering taxation and financial reporting, but also by more specific regulations and practices. Examples include when SCA applies for a permit for activities covered by the Environmental Code and political decisions concerning transportation and forest operations. Political decisions may restrict future harvesting levels. One particularly important individual political decision is the UK's exit from the EU. The UK is one of SCA's most important markets and accounts for about 19% of SCA's net sales.</p> <p>Impact: ○ ● ○</p>	<p>SCA is working to monitor and evaluate changes in its surroundings, amended legislation and political decisions that lead to a change in circumstances for the company. SCA is also a member of national and international trade associations. A few key areas for SCA include the ownership and right to the use of forest land, European and global legislation in the field of energy and the environment, requirements for the use of biofuel and the use of recovered fiber. SCA monitors developments in prioritized areas, such as resource consumption in general and, more specifically, regarding issues relating to waste and emissions to water and air. It is important for SCA to monitor EU emission rights trading, regulations concerning waste and circular economy initiatives.</p> <p>Even after the UK's exit from the EU, the country will still need to import wood products, pulp and paper. There are no expectations today of material changes in UK import duties or similar restrictions on SCA's products. Assuming a strong UK economy and stable exchange rates, SCA expects to maintain a significant volume of sales in the UK.</p>
<p>Customer dependency</p> <p>In 2020, SCA's ten largest customers accounted for about 31% of SCA's net sales. The risk of too great a dependency on an individual customer is that lost sales from an individual customer could have a negative impact on SCA's earnings.</p> <p>Impact: ○ ● ○</p>	<p>SCA works continuously in building relations with new customers to reduce the consequences of lost sales from established customers. Generally, customers in the pulp and paper segments are major companies, such as tissue manufacturers and corrugated board manufacturers. Within the Wood business area, SCA has developed completely new customer segments over the years. Traditionally, solid-wood products are distributed by general wholesalers. SCA has now built up business relationships with distributors in the building materials trade, which are more focused on distribution to consumers, including the DIY segment. For this category, SCA often distributes the products directly to each customer's store. In addition, certain construction components are manufactured for sale directly to the industry.</p>
<p>Suppliers</p> <p>SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers that fail to comply with SCA's Supplier Standard could also cause problems for SCA. Pandemics and other global or regional crises may have a negative impact on the supplier's production capacity and on the mobility of products and services.</p> <p>Impact: ○ ● ○</p>	<p>To reduce this risk, SCA has supply contracts with multiple suppliers. For timber supplies that are not covered by harvesting in the company's own forests, SCA has built up a sourcing organization with about 80 timber purchasers, distributed between local offices across the region. Through this organization, SCA has relationships with approximately 18,000 private forest owners in the region. SCA may also sell silvicultural services to these forest owners. About 120 contractors are responsible for most of the harvesting, about 100 for transportation to SCA's industries and around another 70 are responsible for forest management.</p> <p>For most important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for facilities. As SCA has access to several suppliers, it has reduced the risk of non-delivery resulting from delivery problems at an individual supplier.</p> <p>An SCA Supplier Standard has been established that, for example, addresses working conditions, health and safety and business ethics. SCA's suppliers must agree to follow the standard and may be required to undergo an audit. The audits are planned and carried out from a risk perspective to ensure that deliveries are from suppliers that fulfill SCA's requirements.</p>
<p>IT security and IT risks</p> <p>SCA relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production and important business processes. Errors in the handling of financial systems can affect the company's reporting. Unauthorized intrusion into SCA's systems may result in financial losses and other damage. These risks grow in an increasingly technically complex and inter-linked world.</p> <p>Impact: ○ ● ○</p>	<p>SCA has established a management model for IT that includes governance, standardized IT processes and an organization for IT security. The IT security work includes a continuous risk assessment, the introduction of preventive measures and use of security technology. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-established systems. Work has been carried out to adapt and develop the company's approach to the General Data Protection Regulation (GDPR).</p>
<p>Employee-related risks</p> <p>SCA needs access to skilled and dedicated employees. The company must therefore have an ability to attract and retain new talent and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p> <p>Impact: ● ○ ○</p>	<p>SCA works in a structured manner to ensure the health and well-being of its employees through proactive preventative healthcare activities. SCA strives for healthy and accident-free workplaces and has established a number of procedures to this end.</p> <p>SCA has an established succession planning to ensure a supply of managers and runs training courses to strengthen and develop managers. SCA works with strategic skills supply to secure access to employees with the right expertise at the right time. Employee skills are developed through training, coaching and annual performance reviews. The company uses targeted initiatives to attract critical expertise and to strengthen the employer brand. Salaries and other conditions are to be adapted to the market and linked to SCA's business priorities. SCA strives to maintain good relationships with union organizations.</p>

RISKS AND RISK MANAGEMENT

An assessment of the potential impact on SCA based on a combination of likelihood and financial impact.

● Low ● Medium ● High

Financial risks

Description of risk

Management and comments for the year

Currency

SCA's focus on exports makes SCA's operations highly dependent on currency. About 85% of sales are conducted in currencies other than SEK. Most purchasing is conducted in SEK. Only a minor share of purchasing is carried out in other currencies. Fluctuations in currency rates have a substantial impact on SCA's revenue and thereby on earnings.

Impact: ○ ○ ●

The table shows the net exposure for the three largest currencies in 2020, and the total of other foreign currencies, measured as sales in each foreign currency less purchases in the same currency. In accordance with SCA's Financial Policy, this exposure is hedged as follows: All balance-sheet items in foreign currency are hedged, as is exposure in major approved and contracted investments in non-current assets.

Net exposure	2020
EUR	EUR 437m
USD	USD 929m
GBP	GBP 121m
Others (translated to SEK)	SEK 623m
Total	SEK 15,184m

According to the policy, transaction exposure regarding expected future net flows may also be hedged for up to 18 months. The company has hedged about 60% of the expected EUR net exposure from sales minus purchases until the end of the second quarter of 2021, as well as approximately 30% for the third quarter of 2021 and 10% for the fourth quarter 2021, at the average EUR/SEK exchange rate of 10.53. The company has hedged about 60% of the expected USD net exposure from sales minus purchases until the end of the second quarter of 2021, as well as approximately 30% for the third quarter of 2021 and 10% for the fourth quarter 2021, at the average USD/SEK exchange rate of 9.23.

Translation exposure, meaning the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK, is less important to SCA as the total assets in these companies only amount to 3% of SCA's total assets. Translation exposure in the foreign subsidiaries is not currency-hedged.

Credit risk

Credit risk refers to the risk of losses due to a failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.

Impact: ● ○ ○

Credit exposure in accounts receivable amounted to SEK 1,964m as per December 31, 2020. Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. Credit limits are set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be received based on an individual assessment of each customer. The financial credit exposure, in which the counterparty is a financial actor or a pension fund manager, amounted to SEK 3,072m as per December 31, 2020. This exposure includes credit risk of SEK 1,273m for cash and cash equivalents and credit exposure in derivative instruments amounting to SEK 322m. The objective is that financial counterparties must have a credit rating of at least A- from at least two credit rating institutes.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.

Impact: ● ○ ○

As of December 31, 2020, SCA's gross debt amounted to SEK 10,354m and the average duration, including unutilized credit facilities, to 4.5 years (taking into account lease liability in accordance with IFRS 16). Unutilized credit facilities amounted to approximately SEK 8,918m at the end of the year, and cash and cash equivalents to SEK 1,273m. To ensure good access to loan financing at attractive terms, SCA has a clear objective to maintain an investment grade rating. During the year, the credit rating agency Standard and Poor's (S&P) confirmed SCA's credit rating of "BBB-" with a stable outlook.

SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's annual sales. SCA limits its refinancing risk by having a good distribution in the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, taking into account unutilized credit facilities. Surplus liquidity should primarily be used to amortize external liabilities. As of December 31, 2020, SCA's financing mainly comprised credit facilities from a group of four banks with high credit ratings, bilateral loans and credit facilities from several banks and issued bonds.

Interest rate risks

Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA.

Impact: ● ○ ○

SCA's policy is that the average fixed-rate period shall be within the interval 3–36 months. SCA's average interest period for the gross debt, including derivatives and excluding lease liability in accordance with IFRS 16, was about 27 months as of December 31, 2020. The risk is managed using fixed-interest loans or through interest rate derivatives. A sensitivity analysis is presented in Note E7.



Corporate governance

Corporate governance aims to ensure SCA's commitments to all of its stakeholders, including shareholders. In addition, corporate governance supports the company's long-term strategy, market presence and competitiveness.

Corporate governance, including remuneration, pages 71–81

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 as well as SCA's internal control. Moreover, it provides an overview of remuneration and remuneration issues, see also SCA's remuneration report, which is available on www.sca.com. SCA applies the Swedish Code of Corporate Governance without any deviations (www.corporategovernanceboard.se). Corporate governance shall be reliable, clear, straightforward and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for SCA's 2020 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 auditor.

Risks and risk management, pages 66–70

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

Sustainability, pages 48–57, 135–162 and 171

SCA's sustainability work is an integral part of the company's business model and operations. Work to improve the company's sustainability performance strengthens competitiveness, reduces risks and costs and attracts talent and investors. The Board and the President bear the overall responsibility for the control of SCA's business in the field of sustainability. SCA's sustainability agenda is headed by the Group's Sustainability Council, which includes members of the Executive Management and the Group's Sustainability Director. The Sustainability Council is led by the Group's CFO. In addition, a number of cross-functional networks manage and coordinate issues such as health, safety and environment.

Governance at SCA

Shareholder meeting/Annual General Meeting

The shareholders' meeting is SCA's highest decision-making body, where 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 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 the 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 strate-

gies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

At the 2020 AGM, it was resolved that the Board of Directors shall comprise ten 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 that will enable high-quality discussion and decisions by the Board. The Chairman leads the assessment of the Board's and the President's work. The Chairman also represents the company in ownership matters.

Audit Committee

The company's Board has, within itself, established an Audit Committee. The tasks of the Audit Committee include monitoring



CORPORATE GOVERNANCE

financial reporting and the efficiency of the company's internal control, internal audit and risk management, and it 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 auditor and submits recommendations to the Nomination Committee as a basis for the appointment of auditor and the determination of remuneration, and information to the Board concerning the results of the audit 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 quality and informs the Nomination Committee of the results of the evaluation.

Remuneration Committee

The company's Board has also, within itself, established a Remuneration Committee. The Remuneration 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 and prepares the Board's remuneration report.

Internal audit

At SCA, it is the employees' responsibility to ensure sound governance and internal control in the operations or processes for which they are responsible. Internal audit is a separate function with the task of evaluating and improving the efficiency of SCA's internal control, governance, and risk management. The function reports to the Audit Committee and the Board in relation to internal audit matters. The function examines, among other, SCA's internal processes for sales, purchases, financial reporting, assets, compensation and benefits, HR matters, information security and IT systems, various projects and compliance with SCA's policies and other governing documents including the Code of Conduct.

President and CEO and Executive Management

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, the work of which is led by the President. The Executive Management Team comprises the President and CEO, the CFO, the Presidents of the Business Areas Forest, Paper, Pulp, Wood and Renewable Energy and the President for the support unit Sourcing & Logistics. Further, 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. In consultation with the Chairman of the Board, the President and CEO prepares documentation and background information for the Board's work.

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 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 meet with the President and CEO, the CFO and others. These meetings function as a complement to the daily monitoring of operations.

External auditors

The company's auditor, elected at the Annual General Meeting, examines 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, which also includes a review of compliance with the Swedish Companies Act and the Swedish Annual Accounts Act.

Read more about SCA's Corporate Governance at www.sca.com. This includes:

- SCA's Articles of Association
- Link to the 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 done)
- Information ahead of the 2021 Annual General Meeting (notice, Nomination Committee proposals including the Audit Committee's recommendation, Board proposal for principles for remuneration of senior executives, information on routines for notifying attendance to the Meeting, etc.)
- Earlier Corporate Governance Reports, since 2007

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
- The Swedish Annual Accounts Act
- International Financial Reporting Standards (IFRS)
- Nordic Main Market Rulebook for Issuers of Shares
- Swedish Corporate Governance Code
- Relevant EU regulations

Compliance with stock market regulations

In 2020, 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.



Activities during the year

Annual General Meeting

The AGM was held on Tuesday, March 31, 2020 in Sundsvall. A total of 457 shareholders were represented at the Meeting, either personally or by proxy, representing approximately 65.3% of the votes in the company. Carl Svernlöv, Attorney-at-Law, was elected Chairman of the Meeting.

The Meeting resolved that no dividend be paid for the 2019 fiscal year. The AGM decided on the re-election of Board members Pär Boman, Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson, Martin Lindqvist, Lotta Lyrå, Bert Nordberg, Anders Sundström and Barbara Milián Thoralfsson. Pär Boman was re-elected as the Chairman of the Board. Ernst & Young was reelected as auditor for the period until the 2021 AGM. Moreover, guidelines for determining the salary and other remuneration of the President and CEO and other senior executives were adopted; see Note C3.

The minutes of the Meeting in full and information on the 2020 AGM, including the President's speech, are available at 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 from the four 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. The Chairman of the Board is to convene 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 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 largest unrepresented 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 General 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, including remuneration for committee work, the company's auditors and auditors' fees.

In its work, the Nomination Committee has considered 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.

When preparing its proposal for the election of auditors and remuneration, the Nomination Committee has also considered the Audit Committee's recommendation.

Composition of the Nomination Committee for the 2021 AGM

The composition of the Nomination Committee for the 2021 AGM is as follows:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee
- Petter Johnsen, Norges Bank Investment Management
- Anders Oscarsson, AMF Insurance and Funds
- Mikael Hallåker, Handelsbanken Pension Foundation, among others
- Pär Boman, Chairman of the Board, SCA

Shareholders have had the opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2021 AGM is presented in the notice convening the AGM on SCA's website www.sca.com. The 2021 AGM will be held on April 15.

The Nomination Committee was convened on five occasions in 2020. The Chairman of the Board has 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 the 2020 AGM, the Nomination Committee has applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. The policy aims to ensure that the Board has – with regards to the company's operations, stage of development and circumstances in general – an appropriate composition characterized by diversity and breadth as regards the AGM-elected members' expertise, experience and background, with the endeavor to achieve an even gender ratio. The 2020 AGM resolved in accordance with the Nomination Committee's proposal, which meant ten members were elected, of which four were women and six men. When preparing proposals for the Board for the 2021 AGM, the Nomination Committee has worked with and applied the diversity policy in a corresponding 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.



Board of Directors

Ten Board members were appointed at the 2020 AGM. Lotta Lyrå left the Board on June 5, 2020, after which the SCA Board had nine AGM-elected members. In addition to these members, there are three employee representatives and their three deputies.

The SCA Board of Directors comprises the AGM-elected members Pär Boman (Chairman), Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson (President and CEO), Martin Lindqvist, Bert Nordberg, Anders Sundström and Barbara Milian Thoralfsson.

The independence of Board members is presented in the table on page 75. SCA complies with the requirements of the Swedish Code of Corporate Governance 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 2021 AGM: Roger Boström, Johanna Viklund Lindén and Hans Wentjärvi and their deputies Per Andersson, Maria Jonsson and Stefan Lundkvist. Since Hans Wentjärvi passed away on May 30, 2020, he has been replaced by Per Andersson. Further information concerning the Board members can be found on pages 78–79.

Board activities

In 2020, the Board was convened 13 times. The Board has established working procedures. The working procedures 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 task is to continuously monitor the internal control and compliance of the company and its employees with 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 auditor regularly presents a report on the audit work and these issues are discussed by the Board.

In 2020, the Board conducted standard duties, including strategy issues.

Evaluation of the Board's work

The work of the Board, as that of the Chairman and the President, is evaluated annually using a systematic and structured process. The purpose is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with relevant analysis for its nomination work. In 2020, the evaluation took the form of a questionnaire and interviews held by an external consultant 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 results of the evaluation.

Audit Committee

The Audit Committee comprises Barbara Milian Thoralfsson (Chairman), Pär Boman and Martin Lindqvist. The Audit Committee held six meetings in 2020. 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 four meetings in 2020. Activities in 2020 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 for the internal audit work is a risk-based annual plan. The plan derives from a risk assessment process based on input from operations, management and the Board. The annual plan is approved by the Audit Committee. In 2020, 12 internal audit assignments were performed. Observations from the assignments are reported to the Audit Committee. During 2020, work included follow-up of the organization's work concerning the effectiveness of internal controls and compliance with policies and other governing documents, including the Code of Conduct.



CORPORATE GOVERNANCE

External auditors

The 2020 Annual General Meeting appointed accounting firm Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Fredrik Norrman, Authorized Public Accountant, would be the auditor in charge. The auditor owns no shares in SCA.

In accordance with its working procedures, the Board met with the auditor at six scheduled Board meetings in 2020. The auditor also attended each meeting of the Audit Committee. At these meetings, the auditor presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Further, at the Board's third scheduled

autumn meeting, the auditor 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 remark or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditor shall 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 auditor questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

Board of Directors and committees

Names	Elected	Depen- dence	The Board of Directors	Atten- dance	Audit Committee	Atten- dance	Remuneration Committee	Atten- dance
Pär Boman	2010	●	Chairman	13	Board member	6	Chairman	4
Charlotte Bengtsson	2017	●	Board member	13				
Lennart Evrell	2017		Board member	13			Board member	4
Annemarie Gardshol	2015		Board member	12				
Ulf Larsson	2017	●	Board member	13				
Martin Lindqvist	2017		Board member	13	Board member	6		
Lotta Lyrå*	2017			8				
Bert Nordberg	2012		Board member	13			Board member	4
Anders Sundström	2018		Board member	13				
Barbara Milian Thoralfsson	2006		Board member	13	Chairman	6		

*Lotta Lyrå left the Board on June 5, 2020.

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

The largest shareholders

As of December 31, 2020, AB Industrivärden was the company's largest shareholder, with a holding totaling 33,785,290 Class A shares and 38,300,000 Class B shares, corresponding to 10.3% of the total number of shares and 29.3% 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.

	Number of meetings in 2020
The Board of Directors	13
Audit Committee	6
Remuneration Committee	4

Remuneration, Executive Management Team and Board of Directors

Guidelines

The 2020 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.

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.

Variable remuneration and strategic targets

Programs for variable remuneration are designed to support the Group's strategic targets. The short-term program is individually adapted and based mainly on profit, cash flow and capital efficiency. The long-term program is based on the SCA share's long-term total shareholder return compared with a weighted index of shares of other peer companies.

Remuneration of the Board

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

Remuneration report

The Board has presented a separate remuneration report which is available on www.sca.com.

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. Its working procedures regulate the internal division of work between the Board and its committees.

The Audit Committee has an 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 auditor 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 shall 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 common system for reporting annual 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 forecasts.



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 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 and controller 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 unit and updated during the year through regular forecasts.

SCA has 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.

The Board follows up to ensure that the internal control and reporting to the Board functions through continuous reporting from the President 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. The results of this follow-up are reported to the Board through the Audit Committee.

Internal control of other processes

The basis for the internal control is identifying and assessing risks. A review of identified risks is conducted every year with the addition of any new identified risks. At the same time, an evaluation is carried out of the potential impact of the risks on profits and the brand, and the probability that the risk will occur.

Risks that threaten business objectives are linked to the company's processes. For each process and identified risks, the control activities are defined that must be established to manage risks, and a description of how self-assessments are used to monitor the effectiveness of the control activities.

Control activities to mitigate the identified risks are documented, and the effectiveness of each control is tested on an annual basis through self-assessments. The Group's internal control function summarizes the result of the self-assessments and reports to management and the Board.

Activities in 2020

In 2020, SCA has continued to develop the framework for internal controls. The scope of the self-assessment of control procedures has been extended to include additional processes. The results of the self-assessment have been reported to the Board.



Board of Directors and Auditors



Pär Boman (1961)
*Engineering and Business/
Economics degree*

Chairman of the Board since 2015. Chairman of the Board of Svenska Handelsbanken AB and Essity AB, Deputy Chairman of the Board of AB Industrivärden and member of the Board 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. Board member of Södra's Research Foundation, Norra Skog's Research Foundation, the Nils and Dorthi Troedsson's Research Foundation.

Elected: 2017
Class B shares: 2,360

Independent of SCA's major shareholders.



Lennart Evrell (1954)
MSc Eng. and Econ.

Board member of Epiroc, ICA, the Confederation of Swedish Enterprise and Industriarbetsgivarna. Former President of Boliden, Sapa and Munters.

Elected: 2017
Class B shares: 4,000

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



Annemarie Gardshol (1967)
MSc Eng.

President and CEO on PostNord Group AB, President of PostNord Sverige AB. Board member of Essity AB. Former President of PostNord Strålfors Group AB and various management positions at PostNord and Gambro AB as well as management consultant at McKinsey & Company.

Elected: 2015
Class B shares: 6,200

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



Ulf Larsson (1962)
BSc Forestry

President and CEO of SCA. Chairman of the Swedish Forest Industries Federation, Deputy chair of Industriarbetsgivarna and the Swedish Forest Industries, board member of Handelsbanken Region Umeå, and CEPI, member of the Advisory Council Västernorrland County. Former President of SCA Forest Products AB, 2008–2017, as well as Executive Vice President of SCA 2016–2017.

Elected: 2017
Employed since: 1992
Class A shares: 12,000, B shares: 100,000

Independent of SCA's major shareholders.



Martin Lindqvist (1962)
*Engineer and Master of Business
Administration*

President and CEO of SSAB. Chairman of the Board of Jernkontoret, and of Stål och Metall. Deputy Chairman of the Board of Industriarbetsgivarna. Previously held senior positions, including at SSAB and NCC.

Elected: 2017

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 and SAAB AB. Previously held various management positions in Ericsson Group and Digital Equipment Corp. President of Sony Mobile Communications AB between 2009–2012 and Board member of BlackBerry Ltd, Skistar AB, AB Electrolux and Axis AB.

Elected: 2012
Class B shares: 16,800

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



Anders Sundström (1952)
*Academic studies in economy and
politics at Umeå University*

Chairman of the Board of Kaunis Holding, NMI Group, Hedlunda Industri AB and Ekhaga AB. Previously Chairman of the Board at Swedbank and CF, among others. Many years of operating experience within both the industry and the financial sector, including as CEO for Folksam. Has held several ministerial posts and other political assignments.

Elected: 2018
Class B shares: 6,000

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



CORPORATE GOVERNANCE

Employee representatives



Barbara Milian Thoralfsson (1959)
MBA, BA

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

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



Per Andersson (1955)
Swedish Paper Workers Union, dept 29, SCA Obbola AB
Member of the Swedish Trade Union Confederation (LO).

Appointed: 2020 as acting employee representative on the Board. Former deputy.



Roger Boström (1971)
Chairman of the Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill
Member of the Swedish Trade Union Confederation (LO).

Appointed: 2013
Class B shares: 55



Johanna Viklund Lindén (1973)
Chairman Unionen, SCA Graphic Sundsvall AB/SCA Sourcing & Logistics
Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2017
Class B shares: 166

Employee representatives, deputies

Maria Jonsson (1966)
Chairman Unionen, SCA staff functions
Member of the Council for Negotiation and Cooperation (PTK).
Appointed 2017.

Stefan Lundkvist (1977)
Chairman of Swedish Paper Workers Union, dept 158, SCA Munksund AB
Member of the Swedish Trade Union Confederation (LO).
Appointed 2017.

Honorary Chairman

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

Auditors

Ernst & Young AB
Senior Auditor: Fredrik Norrman, Authorized Public Accountant

Secretary to the Board

Katarina Nilsson (1971)
Master of Laws
Senior Vice President, Legal Affairs Group Function, General Counsel.

Employed since: 2019
Class B shares: 300

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2020.



Executive Management Team



SCA ANNUAL AND SUSTAINABILITY REPORT 2020

Ulf Larsson

President and CEO
BSc Forestry
 Employed since: 1992
 Class A shares: 12,000
 Class B shares: 100,000

Stina Danielsson

Senior Vice President, Human Resources
BA
 Employed since: 2005
 Class B shares: 5,756

Björn Lyngfelt

Senior Vice President, Communications
BSc Forestry
 Employed since: 1986
 Class B shares: 12,500

Kristina Enander

President, Pulp
MSc Eng. chemical engineering in physics
 Employed since: 1993
 Class B shares: 11,786

Mikael Källgren

President, Renewable Energy
BSc Energy
 Employed since: 2015
 Class B shares: 3,685

Jerry Larsson

President, Wood
MSc Eng., MBA
 Employed since: 2003
 Class B shares: 5,225



CORPORATE GOVERNANCE



From left to right: Mikael Källgren (President, Renewable Energy), Jonas Mårtensson (President, Forest), Stina Danielsson (Senior Vice President, Human Resources), Magnus Svensson (President, Sourcing & Logistics), Mats Nordlander (President, Paper), Toby Lawton (CFO), Ulf Larsson (President and CEO), Kristina Enander (President, Pulp), Jerry Larsson (President, Wood), Katarina Nilsson (General Counsel), Björn Lyngfelt (Senior Vice President, Communications), Ole Terland (Senior Vice President, Strategic Development).



Anders Edholm assumed the role of Senior Vice President, Communications on February 1, 2021. He replaces Björn Lyngfelt who is to retire.

Toby Lawton

CFO
MA
Employed since: 2017
Class B shares: 11,782

Jonas Mårtensson

President, Forest
MSc Eng.
Employed since: 2005
Class B shares: 28,042

Katarina Nilsson

Senior Vice President, Legal Affairs and General Counsel
Master of Laws
Employed since: 2019
Class B shares: 300

Mats Nordlander

President, Paper
Dipl. Eng.
Employed since: 2015
Class B shares: 13,465

Magnus Svensson

President, Sourcing & Logistics
MSc Eng.
Employed since: 1993
Class B shares: 64,880

Ole Terland

Senior Vice President, Strategic Development
Doctor of Technology
Employed since: 2016
Class B shares: 33,659



Financial statements and notes

Contents

Group Financial statements

Consolidated income statement **IS**84
 Consolidated statement of comprehensive income **OCI**85
 Consolidated statement of change in equity **EQ**86
 Consolidated balance sheet **BS**87
 Consolidated cash flow statement **CF**88

Group notes

A. Accounting principles and application of alternative performance measures (APM) pages 89–93	B. Sales and earnings pages 94–98	C. Employees pages 99–104	D. Operating assets and liabilities pages 105–111	E. Capital structure and financing pages 112–121
A1. page 89 General accounting principles and new accounting rules	B1. page 94 Segment reporting and revenue from contracts with customers	C1. page 99 Personnel costs	D1. page 105 Intangible fixed assets	E1. page 112 Financial instruments by category and measurement level
A2. page 91 Application of non-International Financial Reporting Standards (IFRS) performance measures	B2. page 97 Other operating income	C2. page 99 Personnel data	D2. page 106 Tangible fixed assets	E2. page 114 Financial assets, cash and cash equivalents
	B3. page 97 Raw materials and consumables	C3. page 99 Remuneration of senior executives	D3. page 107 Forest assets	E3. page 114 Trade receivables
	B4. page 97 Other operating expenses	C4. page 101 Fees to Board members in the Parent Company	D4. page 108 Right-of-use assets and lease liabilities	E4. page 115 Financial liabilities
	B5. page 97 Taxes	C5. page 102 Remuneration after employment	D5. page 110 Inventories	E5. page 117 Liquidity risk
			D6. page 111 Other current receivables	E6. page 117 Derivatives and hedge accounting
			D7. page 111 Other liabilities	E7. page 118 Financial income and expenses
			D8. page 111 Other provisions	E8. page 119 Equity
			D9. page 111 Trade payables	

Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement are marked with the following symbols:

- IS** Consolidated income statement
- OCI** Consolidated statement of comprehensive income
- EQ** Consolidated statement of change in equity
- BS** Consolidated balance sheet
- CF** Consolidated cash flow statement



F. Group structure pages 122–123	G. Other pages 124–125
F1. page 122 Subsidiaries	G1. page 124 Non-current assets held for sale and discontinued operations
F2. page 122 Associated companies	G2. page 125 Contingent liabilities, pledged assets and commitments
F3. page 123 Corporate acquisitions and divestments	G3. page 125 Transactions with related parties
	G4. page 125 Events after the end of reporting period

Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement are marked with the following symbols:

- PIS** Parent Company income statement
- POCI** Parent Company statement of comprehensive income
- PEQ** Parent Company statement of change in equity
- PBS** Parent Company balance sheet
- PCF** Parent Company cash flow statement

Parent Company Financial statements

Parent Company income statement PIS	126
Parent company statement of comprehensive income POCI	126
Parent Company statement of change in equity PEQ	127
Parent company balance sheet PBS	128
Parent Company cash flow statement PCF	129

Parent Company notes

PC. Parent Company notes pages 130–134
PC1. page 130 Other operating expenses
PC2. page 130 Personnel and Board costs
PC3. page 130 Personnel data
PC4. page 130 Provisions for pensions
PC5. page 130 Appropriations
PC6. page 131 Taxes
PC7. page 131 Tangible fixed assets
PC8. page 132 Participations in Group companies
PC9. page 132 Receivables from and liabilities to subsidiaries
PC10. page 132 Other current receivables
PC11. page 133 Financial instruments
PC12. page 133 Other current liabilities
PC13. page 134 Share capital
PC14. page 134 Pledged assets and contingent liabilities
PC15. page 134 Proposed disposition of earnings



GROUP

Consolidated income statement IS

SEKm	Note	2020	2019
Net sales	B1	18,410	19,591
Other operating income	B1, B2	1,620	2,191
Change in inventories		-758	304
Change in value in biological assets	D3	1,262	16,759
Raw materials and consumables	B3	-6,415	-7,373
Personnel costs	C1	-3,310	-2,997
Other operating expenses	B4	-7,436	-7,100
Result from participations in associated companies	F2	20	-14
EBITDA		3,393	21,361
Depreciation and impairment		-2,248	-1,696
Operating profit		1,145	19,665
Financial income	E7	36	54
Financial expenses	E7	-153	-180
Profit before tax		1,028	19,539
Taxes	B5	-261	-4,017
Profit for the period		767	15,522
Profit for the period attributable to:			
Owners of the Parent		767	15,522
Non-controlling interests		-	0
Average number of shares, millions		702.3	702.3
Earnings per share			
Earnings per share, SEK ¹⁾		1.09	22.10
Dividend per share, SEK		2.00 ²⁾	- ³⁾

¹⁾ There are no dilution effects.

²⁾ Board proposal.

³⁾ In the 2019 Annual Report, the Board had proposed a dividend of SEK 2 per share.

The Annual General Meeting voted, however, not to pay any dividend due to the uncertainty surrounding Covid-19.



GROUP

Consolidated statement of comprehensive income **OCI**

SEKm	Note	2020	2019
IS Profit for the period		767	15,522
Other comprehensive income for the period:			
<i>Items that cannot be transferred to profit for the period</i>			
Change in value in land assets	D3	3,314	18,893
Result from equity instruments measured at fair value		-	-2
Remeasurement of defined benefit pension plans		327	444
Income tax attributable to components in other comprehensive income		-746	-3,984
Total		2,895	15,351
<i>Items that have been or can be transferred to profit for the period</i>			
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity		566	-489
Transferred to the income statement for the period		-515	209
Hedging cost		14	23
Translation differences in foreign operations		-75	15
Income tax attributable to components in other comprehensive income		-13	53
Total		-23	-189
Other comprehensive income for the period, net after tax		2,872	15,162
Total comprehensive income for the period		3,639	30,684
Total comprehensive income attributable to:			
EQ Owners of the Parent		3,639	30,684
EQ Non-controlling interests		-	0



GROUP

Consolidated statement of change in equity **EQ**

SEKm	2020	2019
Attributable to owners of the Parent		
Value January 1	68,510	39,062
OCI Total comprehensive income for the period	3,639	30,684
Cash flow hedge, transferred to cost of hedged investments	19	-8
Tax on cash flow hedge, transferred to cost	-4	2
Cash dividend	-	-1,229
Acquisition of non-controlling interests	0	0
Remeasurement effect upon acquisition of non-controlling interests	-1	-1
Value December 31	72,163	68,510
Non-controlling interests		
Value January 1	0	-
OCI Total comprehensive income for the period	-	-
Acquisition of non-controlling interests	0	0
Value December 31	-	0
Total equity, value December 31	72,163	68,510

For further information, see Note E8.



GROUP

Consolidated balance sheet **BS**

SEKm	Note	2020	2019
ASSETS			
Non-current assets			
Goodwill	D1	-	3
Other intangible assets	D1	320	208
Buildings, land, machinery and equipment	D2	18,641	18,184
Forest assets	D3	74,900	69,682
<i>of which land assets</i>	D3	23,624	20,170
<i>of which biological assets</i>	D3	51,276	49,512
Right-of-use assets	D4	729	841
Holdings in associated companies	F2	378	367
Surplus in funded pension plans	C5	1,329	1,019
Non-current financial assets	E2	81	67
Deferred tax assets	B5	15	13
Other non-current assets		5	2
Total non-current assets		96,398	90,386
Current assets			
Inventories	D5	4,044	5,014
Trade receivables	E3	1,964	2,313
Current tax assets	B5	1	105
Other current receivables	D6	987	790
Current financial assets	E2	0	3
Cash and cash equivalents	E2	1,273	454
Total current assets		8,269	8,679
Total assets		104,667	99,065
EQUITY AND LIABILITIES			
Equity			
<i>Owners of the Parent</i>			
Share capital		2,350	2,350
Other capital provided		6,830	6,830
Reserves		17,320	14,693
Retained earnings		45,663	44,637
Total equity owners of the Parent		72,163	68,510
Non-controlling interests		-	0
Total equity		72,163	68,510
Non-current liabilities			
Non-current financial liabilities	E4	8,488	5,888
Provisions for pensions	C5	530	522
Deferred tax liabilities	B5	16,648	15,780
Other non-current provisions	D8	90	30
Other non-current liabilities	D7	135	131
Total non-current liabilities		25,891	22,351
Current liabilities			
Current financial liabilities	E4	1,336	3,730
Trade payables	D9	3,319	3,336
Current tax liabilities	B5	14	9
Current provisions	D8	744	85
Other current liabilities	D7	1,200	1,044
Total current liabilities		6,613	8,204
Total liabilities		32,504	30,555
Total equity and liabilities		104,667	99,065

GROUP

Consolidated cash flow statement **CF**

SEKm	Note	2020	2019
Operating activities			
Profit before tax		1,028	19,539
Payments relating to efficiency program already recognized		-	-3
T:1 Adjustment for non-cash items		1,580	-15,401
		2,608	4,135
Paid tax	B5	-35	-652
Cash flow from operating activities before changes in working capital		2,573	3,483
Cash flow from changes in working capital			
Change in			
Inventories		780	-605
Operating receivables		-181	473
Operating liabilities		532	-54
Cash flow from operating activities		3,704	3,297
Investing activities			
Company and asset acquisition		-462	-1,115
Divestments		63	370
T:2 Investments in intangible and tangible fixed assets		-2,665	-2,289
T:2 Sale of tangible fixed assets		108	-
Acquisition of financial assets		-8	-26
Cash flow from investing activities		-2,964	-3,060
Financing activities			
Loans raised	E4	3,875	1,011
Amortization of debt	E4	-3,785	-228
Dividend		-	-1,229
Cash flow from financing activities		90	-446
Cash flow for the period		830	-209
Cash and cash equivalents, January 1		454	648
Exchange differences in cash and cash equivalents		-11	15
Cash and cash equivalents, December 31	E2	1,273	454

T:1 Adjustment for non-cash items

SEKm	2020	2019
Depreciation and impairment of non-current assets	2,248	1,696
Measurement of fair value of forest assets	-1,262	-16,759
Gain/loss on asset sales and swaps	82	-202
Unpaid pertaining to one-off items related to the discontinuation of publication paper operations	600	-
Other	-88	-136
Total	1,580	-15,401

T:2 Net investments in intangible and tangible fixed assets

SEKm	2020	2019
Current net investments in intangible and tangible fixed assets	-1,143	-1,033
Strategic net investments in intangible and tangible fixed assets	-1,414	-1,256
Total	-2,557	-2,289

For information concerning the Group's liquidity reserve, refer to the risk section on page 70.

A. ACCOUNTING PRINCIPLES AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

A1. GENERAL ACCOUNTING PRINCIPLES AND NEW ACCOUNTING RULES

Reading instructions

General accounting principles **AP** and new accounting rules are presented below. Other accounting principles considered material by SCA are presented in conjunction with the respective notes. The same principles are usually applied in both the Parent Company and the Group. In some cases, the Parent Company applies principles other than those used by the Group and, in such cases, these principles are specified under the respective note in the section about the Parent Company.

Key assessments and assumptions **KAA** are presented under the respective notes. The preparation of financial statements in conformity with IFRS (International Financial Reporting Standards) and generally accepted Swedish accounting principles requires assessments and assumptions to be made that affect recognized asset and liability items and income and expense items, respectively, as well as other information disclosed. These assessments and assumptions are often based on historical experience, but also on other factors, including expectations of future events. With other assessments and assumptions, the result may be different and the actual result will seldom fully concur with the estimated result.

The areas that SCA considers to be impacted the most by assessments and assumptions are:

- Segment reporting and revenue from contracts with customers, Note B1
- Taxes, Note B5
- Remuneration after employment, Note C5
- Forest assets, Note D3
- Right-of-use assets and lease liabilities, Note D4

Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement and tables in notes are marked with the following symbols.

- IS** Consolidated income statement
- OCI** Consolidated statement of comprehensive income
- EQ** Consolidated statement of change in equity
- BS** Consolidated balance sheet
- CF** Consolidated cash flow statement
- T:x** Reference to table in note

Basis for preparation

The SCA Group's financial statements are prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as adopted within the EU, and the Swedish Financial Reporting Board, Recommendation RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements are prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities, and the Annual Accounts Act. The accounts for both the Group and the Parent Company relate to the fiscal year that ended on December 31, 2020. SCA applies the historical cost method as basic principle for measurement of assets and liabilities. Biological assets and financial assets and liabilities, including derivative instruments, are, however, measured at fair value in the income statement. Land assets connected to forest assets are measured at fair value in other comprehensive income. Financial assets in the form of equity instruments not held for trading are measured at fair value in other comprehensive income. In the Parent Company, biological assets are not measured at fair value.

Changes to accounting principles

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On January 15, 2020 changes to IFRS 9 and IFRS 7 were adopted following the reference rate reform. SCA is monitoring the transition from inter bank offered rates (IBOR) to alternative reference rates and is planning its transition based on progress reported. The changes offer exemptions from the application of specific requirements of hedge accounting for hedging relationships that are directly affected by this reform. The exemptions relate to hedge accounting and are to ensure that companies are not required to terminate hedging relationships due to uncertainties concerning the reform. Currently, the reform primarily impacts SCA's cash flow hedges based on STIBOR interest rates. The implementation is not expected to have a material impact on the Group's financial statements. For further information concerning derivatives and hedge accounting, see Note E1 on page 112.

IFRS 3 Business Combinations

IFRS 3 has been changed with respect to the classification of business combinations. The change is applicable to fiscal years beginning on January 1, 2020 or later. If an acquisition is to be classified as a business combination an acquired set of activities and assets must at least include resources and a substantial process that together contribute to the ability to create output. Input is an economic resource (for example non-current assets) that creates, or contributes to create, outputs when one or more processes are applied to it. A process is a system or standard that when applied to an input or inputs, creates outputs or may contribute to creating outputs. Output is the investment income or income from ordinary activities, which is generated as a result of inputs and processes applied to those inputs.

An option exists to conduct a voluntary concentration test, which is a simplified assessment of whether an acquired set of activities and assets is not a business. It is not considered a business if virtually the entire fair value of the acquired gross assets is concentrated to a single, identifiable asset or group of similar identifiable assets.

The changes to IFRS 3 has not impacted SCA, since all corporate acquisitions in 2020 were classified as asset acquisitions. For further information concerning business combinations, see Note F3 on page 123.

IFRS 16 Leases

On May 28, 2020, an amendment was introduced, which means a lessee does not need to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are modifications of the existing lease. Changed payment is instead recognized directly in the income statement. During the year, SCA did not receive any discounts related to Covid-19 and accordingly the amendment will not have an impact. For further information concerning leases, see Note D4 on page 108.

Principles of consolidation

The Group's financial statements are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all Group companies in accordance with the definitions below. Group companies are consolidated from the date the Group exercises control or controlling influence over the company according to the definitions provided below. Divested Group companies are included in the consolidated accounts until the date the Group ceases to control or exercise controlling influence over the companies. Intra-Group transactions have been eliminated.



GROUP

Subsidiaries

All companies over which the Group has a controlling influence are consolidated as subsidiaries. Controlling influence means that SCA is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns using its power to direct activities. The consolidated financial statements are prepared in accordance with the acquisition method.

Translation of foreign currency**Functional currency and translation of foreign Group companies to the presentation currency**

SCA's Parent Company has Swedish kronor (SEK) as its functional currency. The functional currency of each SCA Group company is determined on the basis of the primary economic environment in which the respective company is active. The financial statements of Group companies are translated to the Group's presentation currency, which is SEK in the case of SCA. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate for the period. Translation differences on net assets are recognized as translation differences in other comprehensive income, which is a component of translation reserves in equity.

Exchange rate effects arising from financial instruments used to hedge foreign subsidiaries' net assets are recognized in the same manner in other comprehensive income, which is a component of translation reserves in equity. On divestment, the translation difference on the foreign subsidiary and exchange rate effects on the financial instrument used to currency hedge the net assets in the company are recognized as part of the gain or loss on disposal.

Goodwill and surplus value adjustments arising in connection with the acquisition of a foreign subsidiary are to be translated, in a manner corresponding to the net assets in the company, from their functional currency to the presentation currency.

Transactions and balance sheet items in foreign currency

Transactions in foreign currency are translated to a functional currency using the rate prevailing on the transaction date. At accounting year-end, monetary assets and liabilities are translated at the closing day rate and any exchange rate effects are recognized in the income statement. In cases where the exchange rate effect is related to the operations, the effect is recognized net in operating profit. Exchange rate effects pertaining to borrowing and financial investments are recognized as other financial items. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date.

If hedge accounting has been applied, for example, for cash flow hedges or hedging of net investments, the exchange rate effect is recognized in equity under other comprehensive income.

For financial assets in the form of equity instruments that are not held for trading, the portion of the value change pertaining to currency is recognized in the income statement. Any other unrealized change is recognized in equity under other comprehensive income.

Revenue recognition

Sales revenue, which is synonymous with net sales, includes the consideration for goods and services sold within the Group's main business. This consists entirely of revenue from contracts with customers and is recognized in accordance with IFRS 15. Other operating income includes compensation for sales that are not included in the Group's main business, for instance, logistics income from SCA's transport activities, income from sales of by-products from the production of the Group's main products, income from sales of forest seedlings and gravel, revenue from leases, lease income from hunting and fishing rights and for wind power, and capital gains from the sale of fixed assets. The translation differences on trade receivables are also recognized as other operating income. Most other operating income consists of revenue from contracts with customers and is recognized in accordance with IFRS 15. Income from the sale of self-produced energy, electricity certificates and emission allowances is recognized as reduced energy costs. Interest income is recognized in accordance with the effective interest method, meaning the estimated change in value (effective interest) is recognized as interest income or interest expense in the income statement. Dividends received are recognized when the right to receive a dividend has been established.

Government grants

Government grants are recognized at fair value when there is reasonable assurance the grants will be received and that the Group will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in the income statement during the same period as the costs. If the government grant is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income. For more information about Government grants, refer to Notes B2, B4 and D2.

GROUP

A2. APPLICATION OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES

The Annual Report refers to a number non-IFRS performance measures used to assist investors and company management to analyze the company's operations. A description of the various non-IFRS

performance measures used as a complement to the financial information reported according to IFRS is presented below.

Calculation of financial measures not included in IFRS

PERFORMANCE MEASURES		
Various types of performance measures and margin measures expressed as a percentage of sales		
Key figures	Description	Application of the measure
EBITDA	Profit before depreciation, amortization and impairment, financial items and taxes.	This measure is a complement to operating profit, as it shows the cash surplus from operations.
EBITDA margin	Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.	This measure is a complement to operating margin, as it shows the cash surplus in relation to net sales. Management uses the measure as one of the most important in controlling the company's business areas.
Operating margin	Operating profit as a percentage of net sales during the period.	Operating margin describes operating profit in relation to net sales.
Net margin	Profit for the period as a percentage of net sales for the period.	Net margin describes how much of net sales remains after costs and tax have been deducted.
Restructuring costs	Costs for impairment together with personnel costs in connection with structural changes to the company's operations.	This measure shows the specific costs that have arisen in connection with structural changes of an operation, which contributes to an understanding of the underlying cost level in the continuing operating activities.

CAPITAL MEASURES		
Show how capital is utilized and the company's financial strength		
Key figures	Description	Application of the measure
Capital employed	Calculated as the balance sheet's total assets excluding financial assets and pension assets, less non-interest-bearing liabilities.	The management follows this measure to reduce the capital tied up in operations that is financed by owners and creditors.

SEKm	2020	2019
CAPITAL EMPLOYED		
Total assets	104,667	99,065
Financial assets and pension assets	-2,683	-1,543
Non-current, non-interest-bearing liabilities	-16,873	-15,941
Current, non-interest-bearing liabilities	-5,277	-4,474
Capital employed	79,834	77,107
CAPITAL EMPLOYED PER SEGMENT		
Forest	61,706	57,776
Wood	3,302	3,443
Pulp	8,781	9,115
Paper	7,739	7,471
Other	-1,694	-698
Capital employed	79,834	77,107

Key figures	Description	Application of the measure
Working capital	Working capital is calculated as current operating receivables (inventories, trade receivables and other non-interest-bearing current receivables) less current operating liabilities (trade payables and other non-interest-bearing current liabilities).	The management monitors this measure to reduce capital tied up in the balance sheet from the company's operations.

SEKm	2020	2019
WORKING CAPITAL		
Inventories	4,044	5,014
Trade receivables	1,964	2,313
Other current receivables	987	790
Trade payables	-3,319	-3,336
Other current liabilities	-1,200	-1,044
Adjustments ¹⁾	283	11
Working capital	2,759	3,748

¹⁾ Adjustment of non-operating-related items: receivables from electricity certificates, trade payables from strategic investments and liabilities from emission allowances.

GROUP

Key figures	Description	Application of the measure
Working capital as a percentage of net sales	Calculated as an average of working capital for 13 months as a percentage of 12-month rolling net sales.	The management monitors this measure to reduce capital tied up in the balance sheet from the company's operations.
Net debt	Calculated as current and non-current financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).	Net debt describes the company's total debt financing and is monitored by the management.

SEKm	2020	2019
NET DEBT		
Net debt January 1	8,597	7,020
Net cash flow	-633	1,150
Remeasurements to equity	-327	-443
Lease liability	-103	854
Exchange rate effects and market value changes	137	16
Net debt December 31	7,671	8,597
Surplus in funded pension plans	1,329	1,019
Non-current financial assets	81	67
Current financial assets	0	3
Cash and cash equivalents	1,273	454
Financial assets	2,683	1,543
Non-current financial liabilities	8,488	5,888
Provisions for pensions	530	522
Current financial liabilities	1,336	3,730
Financial liabilities	10,354	10,140
Net debt	7,671	8,597

Key figures	Description	Application of the measure
Debt/equity ratio	Net debt in relation to equity	Shows financial risk and is a useful measure for management to monitor the level of the company's indebtedness.

RETURN MEASURES Return is a financial term that describes how much the value of an asset changes from an earlier point in time

Key figures	Description	Application of the measure
Return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of average capital employed for the two most recent quarters. One-off items are excluded. Industrial segments only use industrial ROCE.	Used to measure return on capital tied up in operations.
Return on capital employed, industrial ROCE	Calculated as the Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment and a share of Other operations. Strategic capital expenditures in industry that have not begun operating and one-off items are excluded. This measure applies to all industrial segments.	Shows the underlying industrial return on capital employed adjusted for the ongoing strategic capital expenditures.

SEKm	Forest	Wood	Pulp	Paper	Other	Total Group
2020 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit, SEKm	1,987	407	73	640	-268	2,839
Average capital employed, SEKm	58,975	3,443	9,062	7,816	-1,231	78,065
Average ongoing strategic capital expenditures, SEKm	-	-	-	1,551	-	1,551
Return on capital employed, ROCE, %	3.4	-	-	-	-	3.6
Return on capital employed, industrial ROCE, %	-	11.8	0.8	10.2	-	5.4

SEKm	Forest	Wood	Pulp	Paper	Other	Total Group
2019 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit, SEKm	1,528	511	453	1,498	-287	3,703
Average capital employed, SEKm	34,599	3,502	9,283	7,062	-792	53,655
Average ongoing strategic capital expenditures, SEKm	-	-	-48	182	-	134
Return on capital employed, ROCE, %	4.4	-	-	-	-	6.9
Return on capital employed, industrial ROCE, %	-	14.6	4.9	21.8	-	11.9



GROUP

CASH FLOW PERFORMANCE MEASURES		
Various performance measures and costs that have impacted the company's cash flow		
Key figures	Description	Application of the measure
Operating cash surplus	EBITDA with deductions for capital gains and capital losses from intangible and tangible fixed assets and the reversal of the result of participations in associated companies and the result of the revaluation of biological assets.	This measure shows cash flow generated by the income statement when calculating operating cash flow.
Operating cash flow	Operating cash flow comprises the sum of operating cash surplus and change in working capital, with deductions for current net investments in property, plant and equipment and restructuring costs.	The management controls the business areas using this measure that shows the combined cash flow from operating activities that the units themselves can influence.

SEKm	2020	2019
OPERATING CASH FLOW		
Forest		
Operating cash surplus	948	875
Change in working capital	226	-229
Current net investments	-358	-113
Restructuring costs, etc.	1	-1
Operating cash flow	817	532
Wood		
Operating cash surplus	628	789
Change in working capital	235	197
Current net investments	-281	-287
Restructuring costs, etc.	-9	-18
Operating cash flow	573	681
Pulp		
Operating cash surplus	613	981
Change in working capital	6	-178
Current net investments	-158	-126
Restructuring costs, etc.	7	39
Operating cash flow	468	716
Paper		
Operating cash surplus	1,196	2,068
Change in working capital	237	73
Current net investments	-244	-514
Restructuring costs, etc.	12	-166
Operating cash flow	1,201	1,461

Key figures	Description	Application of the measure
Cash flow from current operations	Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.	This measure illustrates the cash flow generated by operations and that can potentially be used for strategic initiatives, such as capital expenditures or acquisitions.
Strategic capital expenditures in non-current assets	Strategic capital expenditures increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that increase competitiveness.	Shows the size of the capital expenditures that are made in expansion in production capacity and other growth measures.
Current net investments	Current net investments are made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature with deductions for compensation from divested non-current assets.	Shows the size of the capital expenditures required to maintain existing capacity in operations.

Consolidated operating cash flow statement

SEKm	2020 ¹⁾	2020	2019 ¹⁾	2019
IS EBITDA	4,440	3,393	5,319	21,361
Changes in value biological assets and other non-cash items	-1,287	-601	-937	-16,979
Operating cash surplus	3,153	2,792	4,382	4,382
Change in working capital	745	1,131	-186	-186
Current net investments ²⁾	-1,201	-1,224	-1,132	-1,132
Other operating cash flow	-12	-11	-142	-142
Operating cash flow	2,685	2,688	2,922	2,922

¹⁾ Excluding one-off items related to the changed accounting method for the valuation of forest assets in 2019 and the discontinuation of publication paper operations in 2020.

²⁾ Includes SEK 81m (99) from new, remeasured and terminated lease contracts.

B. SALES AND EARNINGS

B1. SEGMENT REPORTING AND REVENUE FROM CONTRACTS WITH CUSTOMERS

AP ACCOUNTING PRINCIPLES

Segments

Segments are recognized in accordance with IFRS 8 Operating Segments in a manner that complies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. At SCA, this function has been identified as the company's President and CEO, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. The Executive Management support the President and CEO in his work: see the section Corporate governance in the Board of Directors' Report on page 71.

A description of the four operating segments can be found on pages 24–43.

Revenue from contracts with customers

SCA applies IFRS 15 Revenue from contracts with customers. The standard is based on a five-step control model and requires that revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for promised goods or services to customers. The standard regulates commercial agreements (contracts) with customers in which delivery of goods and services is divided into separately identifiable performance obligations that are recognized independently. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated among the various performance obligations. Revenue is recognized when control has passed to the customer by the customer being able to use or benefit from the goods or services, at which point it is deemed to have been transferred. Control may be passed at a given point in time, which is usually the case for sale of goods. In other cases, a performance obligation may be satisfied over time, which is common for services.

KA KEY ASSESSMENTS AND ASSUMPTIONS

SCA has determined that control passes to the customer under IFRS 15 when the risk is transferred according to the applicable delivery terms.

SCA's contracts with customers are mainly framework agreements without established minimum volumes, which means a binding agreement in accordance with the criteria specified in IFRS 15 arises when the customer makes a call-off order. SCA's performance obligation in the contracts consists of providing the goods specified in the contracts.

The transaction price primarily consists of a fixed price per sold quantity. Variable parts, such as cash discounts, volume discounts and delivery bonuses, only occur to a small extent, and then reduce the transaction price. The transaction price is estimated at the value that is expected to accrue to SCA when entering into the agreement. The transaction price is continuously updated if the circumstances that form the basis of the estimate change. Performance obligations consist of sales of goods, which are satisfied at a point in time. The control is transferred to the customer at the same time as the risk for the goods is transferred, in accordance with the Incoterms applicable in the contract. SCA applies the Delivered At Place (DAP) terms for approximately 60% of sales revenues, meaning risk is transferred when the goods are made available to the customer at the agreed destination. For other freight terms applied, the risk is transferred when the goods are loaded on to the vessel or other freight vehicle. Payment terms follow industry practice without long credit periods.

Reporting by operating segment

SEKm	Forest	Wood	Pulp	Paper	Other	Eliminations	Total Group
TB1:1 2020 fiscal year							
External sales	-	6,296	4,198	7,916	-	-	18,410
<i>of which goods</i>	-	6,296	4,198	7,916	-	-	18,410
Internal sales	6,486	0	233	-	-	-6,719	-
IS Net sales	6,486	6,296	4,431	7,916	-	-6,719	18,410
Other operating income	618	859	728	1,659	58	-2,302	1,620
<i>of which goods</i>	559	551	3	105	-11	-305	902
<i>of which services</i>	56	287	763	1,551	69	-2,004	722
<i>of which other operating income</i>	3	21	-38	3	-	7	-4
Operating expenses	-4,891	-6,518	-4,545	-8,385	-1,338	9,021	-16,657
Result from participations in associated companies	-	20	-	0	-	-	20
EBITDA	2,213	657	614	1,190	-1,281	0	3,393
Depreciation and impairment	-226	-249	-540	-550	-682	0	-2,248
IS Operating profit	1,987	407	73	640	-1,963	0	1,145
Other disclosures							
Capital employed	61,706	3,302	8,781	7,739	-1,694	0	79,834
Net investments ¹⁾	-435	-281	-237	-1,497	-189	-	-2,639

¹⁾ Includes SEK 81m from new, remeasured and terminated lease contracts in 2020.



GROUP

SEKm	Forest	Wood	Pulp	Paper	Other	Eliminations	Total Group
TB1:1 2019 fiscal year							
External sales	-	6,325	4,037	9,229	-	-	19,591
of which goods	0	6,325	4,037	9,229	-	-	19,591
Internal sales	6,956	-	340	-	-	-7,296	-
IS Net sales	6,956	6,325	4,377	9,229	-	-7,296	19,591
Other operating income	847	1,029	692	2,023	54	-2,454	2,191
of which goods	636	562	1	120	-9	-325	985
of which services	66	413	701	1,864	63	-2,134	973
of which other operating income	145	54	-10	39	-	5	233
Operating expenses	-6,063	-6,560	-4,086	-9,188	15,740	9,749	-407
Result from participations in associated companies	-	-5	-	-	-9	-	-14
EBITDA	1,740	789	983	2,064	15,785	-	21,361
Depreciation and impairment	-212	-278	-530	-566	-110	-	-1,696
IS Operating profit	1,528	511	453	1,498	15,675	-	19,665
Other disclosures							
Capital employed	57,776	3,443	9,115	7,471	-698	-	77,107
Net investments ¹⁾	-113	-289	-473	-1,417	-96	-	-2,388

¹⁾ Includes SEK 99m from new, remeasured and terminated lease contracts in 2019.

Operating segments

SCA recognizes four operating segments in accordance with IFRS 8.

The Forest segment manages 2.6 million hectares of forest land, of which 2.0 million is productive, and supplies timber to SCA's forest industry operations (Wood, Pulp and Paper). SCA harvests roughly the same volume of timber from its own forests as it purchases from other forest owners. By-products are used in energy production.

The Wood segment comprises five sawmills and wood processing units with planing mills in Sweden, co-owned operations in France and a distribution and wholesale business. By-products are used in energy production. Sawmill operations in the UK were divested in December 2020.

The Pulp segment comprises the production of kraft pulp (NBSK) and chemi-thermomechanical pulp (CTMP). Pulp is manufactured in Östrand.

The Paper segment comprises packaging paper (kraftliner) manufactured in Obbola and Munksund, and publication paper manufactured in Ortvikén, and used for magazines, catalogs and commercial print.

Intra-Group deliveries

Revenues, expenses and results for the various operating segments were affected by intra-Group deliveries. Internal prices are market-based. Intra-Group deliveries are eliminated when preparing the consolidated financial statements.

Customers

SCA's ten largest customers account for 31% (32) of the company's sales. Revenue from the largest customer amounts to SEK 2,113m (2,279) and is reported in the Paper segment.

Revenue from contracts with customers

The tables below show revenue from contracts with customers in accordance with IFRS 15.

SEKm	Forest	Wood	Pulp	Paper	Other	Eliminations	Total Group
2020 fiscal year							
Net sales	6,486	6,296	4,431	7,916	-	-6,719	18,410
of which revenue from contracts with customers, goods	6,486	6,296	4,431	7,916	-	-6,719	18,410
Other operating income	618	859	728	1,659	58	-2,302	1,620
of which revenue from contracts with customers, goods	559	551	3	105	-11	-305	902
of which revenue from contracts with customers, services	56	287	763	1,551	69	-2,004	722
of which other operating income	3	20	-38	3	0	7	-5
of which revenue from leases	-	1	-	-	-	-	1

SEKm	Forest	Wood	Pulp	Paper	Other	Eliminations	Total Group
2019 fiscal year							
Net sales	6,956	6,325	4,377	9,229	0	-7,296	19,591
of which revenue from contracts with customers, goods	6,956	6,325	4,377	9,229	-	-7,296	19,591
Other operating income	847	1,029	692	2,023	54	-2,454	2,191
of which revenue from contracts with customers, goods	636	548	4	126	-	-316	998
of which revenue from contracts with customers, services	66	382	636	1,801	-	-1,961	924
of which other operating income	145	99	52	96	54	-177	269



GROUP

TB1:1 Group by country	Net sales – sold to ¹⁾				Net sales – sold by ¹⁾			
	2020 SEKm	%	2019 SEKm	%	2020 SEKm	%	2019 SEKm	%
Sweden	2,587	14	2,798	14	16,206	88	17,293	88
EU excl. Sweden								
United Kingdom	3,503	19	3,468	18	1,777	10	1,621	8
Germany	2,132	12	2,795	14	-	-	-	-
France	934	5	1,160	6	-	-	175	1
Poland	576	3	606	3	-	-	-	-
Denmark	522	3	644	3	-	-	-	-
Spain	518	3	633	3	-	-	-	-
Netherlands	436	2	609	3	-	-	-	-
Italy	393	2	370	2	-	-	-	-
Finland	337	2	356	2	-	-	-	-
Belgium	271	1	423	2	-	-	-	-
Other	737	4	702	4	-	-	-	-
Total EU excl. Sweden	10,359	56	11,766	60	1,777	10	1,796	9
Rest of Europe								
Norway	861	5	945	5	-	-	-	-
Switzerland	119	1	135	1	-	-	-	-
Other	238	1	213	1	-	-	-	-
Total, rest of Europe	1,218	7	1,293	7	-	-	-	-
Rest of world								
USA	1,352	7	739	4	-	-	-	-
China	707	4	1,033	5	-	-	-	-
Japan	524	3	607	3	-	-	-	-
Morocco	279	2	296	2	-	-	-	-
Egypt	248	1	184	1	-	-	-	-
India	75	0	147	1	-	-	-	-
Hong Kong	1	0	5	-	427	2	502	3
Other	1,060	6	723	4	-	-	-	-
Total, rest of world	4,246	23	3,734	19	427	2	502	3
Total Group	18,410	100	19,591	100	18,410	100	19,591	100

¹⁾ Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where SCA has its customers.

The second column "Net sales – sold by", meaning revenue from external customers where the company is domiciled and in other countries from which the company receives revenues.

Group by country	Average number of employees						Non-current assets ¹⁾	
	2020	Of whom men, %	Of whom women, %	2019	Of whom men, %	Of whom women, %	SEKm 2020	SEKm 2019
Sweden	3,888	79	21	3,816	80	20	92,910	87,869
EU excl. Sweden								
United Kingdom	226	87	13	295	89	11	0	82
Germany	42	53	47	43	49	51	1	1
Latvia	13	43	57	4	75	25	1,229	541
Estonia	9	66	34	8	73	27	448	420
France	7	71	29	12	91	9	1	4
Netherlands	2	100	-	63	89	11	-	-
Other	2	100	-	3	100	-	1	1
Total EU excl. Sweden	301	80	20	428	85	15	1,680	1,049
Rest of world								
Hong Kong	7	43	57	9	35	65	0	-
Total, rest of world	7	43	57	9	35	65	0	-
Total Group	4,196	79	21	4,253	81	19	94,590	88,918

¹⁾ Non-current assets comprise goodwill, other intangible assets, buildings, land, machinery and equipment, forest assets and right-of-use assets.

GROUP

B2. OTHER OPERATING INCOME

Specification of other operating income

SEKm	2020	2019
Transportation	841	885
Energy	663	908
Other	116	398
IS Total	1,620	2,191

Other disclosures

Government grants received increased other operating income by SEK 19m (10).

B3. RAW MATERIALS AND CONSUMABLES

Specification of raw materials and consumables

SEKm	2020	2019
Timber and chips	-3,196	-4,093
Other raw materials and consumables	-1,747	-2,017
Goods purchased for resale	-1,472	-1,263
IS Total	-6,415	-7,373

B4. OTHER OPERATING EXPENSES

Specification of other operating expenses

SEKm	2020	2019
Transportation	-3,718	-3,893
Energy ¹⁾	-755	-683
Repairs and maintenance	-821	-777
IT, telephony and rents	-233	-204
Other	-1,909	-1,543
IS Total	-7,436	-7,100

¹⁾ After deduction for revenues for energy in the amount of SEK 212m (338).

Other disclosures

Government grants received reduced operating expenses by SEK 105m (105). Costs for research and development amounted to SEK 42m (41) during the period.

Specification of auditing expenses

SEKm	2020	2019
EY		
Audit assignments	-9	-10
Auditing activities other than the audit assignment	-1	-1
Total EY	-10	-11
Other auditors		
Audit assignments	0	0
Total other auditors	0	0
Total	-10	-11

B5. TAXES

AP ACCOUNTING PRINCIPLES

The Group's tax expense comprises current tax and deferred tax.

Current tax is calculated on the taxable profit for the period based on the tax rules prevailing in the countries where the Group operates. Since taxable profit excludes costs that are not tax deductible and income that is not taxable, this is differentiated from profit before tax in the income statement. Current tax also includes adjustments relating to recognized current tax from prior periods. Interest attributable to income tax is also recognized as income tax.

Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards in so far as it is probable that these can be utilized against future taxable profits. Deferred taxes are measured at their nominal amount and based on the tax rates enacted on the balance sheet date. Deferred tax is not calculated on the initial recognition of goodwill or when an asset or liability is recognized for the first time, provided that the asset or liability is not attributable to a business combination. SCA does not recognize tax that may arise on future dividends of the retained earnings of foreign subsidiaries. Any such future effects (withholding tax deducted at source and other deferred tax on profit-taking within the Group) are recognized when SCA can no longer control the reversal of such differences or when, for other reasons, it is probable that a reversal can take place in the foreseeable future.

The recognition of tax effects is determined by the manner in which the underlying transaction is recognized. For items in the income statement, the tax effect is recognized in the income statement. For transactions in equity and in other comprehensive income, the tax effect is recognized in equity and in other comprehensive income, respectively.

Tax liabilities and tax assets are recognized net when SCA has a legal right to offset.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

The Group conducts operations in several countries, which increases the complexity when determining deferred tax assets and tax liabilities. This requires that assessments and assumptions are made to determine the value of the deferred tax asset and deferred tax liability on the balance sheet date. Future changes to taxation legislation and trends in the business climate will impact the company's future taxable profits and thus its possibility to utilize deferred tax assets on loss carryforwards and other temporary differences.

As of December 31, 2020, SEK 15m (13) was recognized as deferred tax assets based on best assessment of future taxable profits in the Group. At year-end 2020, the Group also had tax loss carryforwards of SEK 46m (47), for which no deferred tax asset had been recognized. Accordingly, a changed assessment of the probability of future taxable profits could have a positive or negative effect. In SCA's opinion, at the end of 2020 there were no material uncertain tax items in the financial statements which could result in a significant adjustment of the reported values during forthcoming fiscal years.

Key assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information, refer to Note G2.

GROUP

TB5:1 Tax expense

Tax expense (+), tax income (-)

SEKm	2020		2019	
	SEKm	% ¹⁾	SEKm	% ¹⁾
Current tax				
Income tax for the period	146	55.9	443	2.3
Adjustments for prior periods	6	2.3	3	-
Current tax expense	152	58.2	446	2.3
Deferred tax				
Changes in temporary differences	80	30.6	3,726	19.1
Adjustments for prior periods	32	12.3	-16	-0.1
Revaluation	-3	-1.1	-139	-0.7
TB5:3 Deferred tax expense	109	41.8	3,571	18.3
IS Tax expense	261	25.4	4,017	20.6

¹⁾ Percentage of profit before tax.

Explanation of tax expense

The difference between the recognized and expected tax expense is explained below. The expected tax expense is calculated based on profit before tax in each country multiplied by the tax rate in effect in the country.

SEKm	2020		2019	
	SEKm	%	SEKm	%
Profit before tax	1,028		19,539	
IS Tax expense	261	25.4	4,017	20.6
Expected tax expense	193	18.8	4,198	21.5
Difference	68	6.6	-181	-0.9
The difference is due to:				
Permanent differences between accounting and taxable result				
Other permanent effects ¹⁾	35	3.4	-28	-0.1
Taxes related to prior periods ²⁾	38	3.7	-13	-0.1
Changes in the value of deferred tax assets	-2	-0.2	-1	-
Changes in tax rates ³⁾	-3	-0.3	-139	-0.7
Total	68	6.6	-181	-0.9

¹⁾ Other permanent effects in 2020 relate primarily to non-deductible costs in conjunction with the dissolution of the hedge reserve linked to publication paper operations, non-deductible capital losses attributable to the divestment of SCA Wood UK Ltd and non-deductible capital losses on forest land. Other permanent effects in 2019 related primarily to non-taxable capital gains in conjunction with the divestment of the logistics terminal in Rotterdam and non-taxable revenue from the merger with Groupe ISB, as well as non-deductible impairment of surplus values.

²⁾ Taxes attributable to prior periods for 2020 relate, for the most part, to reservations of tax expenses related to the ongoing tax audit in the Netherlands and adjustments to previous tax assessments. Taxes attributable to prior periods for 2019 relate, for the most part, to adjustments to current tax for prior years as well as adjustments relating to temporary differences for land assets.

³⁾ The changed tax rates are mainly attributable to the reduction in the Swedish corporate tax rate.

Current tax liability

Current tax liability (+), current tax asset (-)

SEKm	2020	2019
Value January 1	-96	110
TB5:1 Current tax expense	152	446
CF TB5:2 Paid tax	-35	-652
Translation differences	1	-1
Changes relating to discontinued operations	-	1
Other changes from acquisitions, divestments	-9	-
Value December 31	13	-96
BS of which current tax liability	14	9
BS of which current tax asset	-1	-105

TB5:2 Paid tax

Tax payments by SCA entities by country, paid tax (-)

SEKm	2020	2019
France	0	5
Netherlands	-	-3
Japan	-	-3
Sweden	-24	-643
United Kingdom	-1	-3
Germany	-9	-5
Other	-1	0
CF Total	-35	-652

TB5:3 Deferred tax liability 2020

Deferred tax liability (+), deferred tax asset (-)

SEKm	Value January 1	Deferred tax expense	Other changes ²⁾	Value December 31
Intangible fixed assets	3	0	0	3
Tangible fixed assets	1,827	-81	0	1,746
Forest assets	13,977	321	679	14,977
Financial non-current assets	204	-10	53	247
Current assets	9	-31	10	-12
Provisions	-110	-129	8	-231
Liabilities	-162	64	-15	-113
Future tax credits and tax loss carryforwards	-13	-4	0	-17
Other	32	-21	22	33
BS Total¹⁾	15,767	109	757	16,633

¹⁾ The closing deferred tax liability comprises deferred tax assets of SEK 15m (13) and deferred tax liabilities of SEK 16,648m (15,780).

²⁾ Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK 67m and IFRS 9 hedge accounting derivatives of SEK 17m. Furthermore, deferred tax is included related to the change in fair value of land assets of SEK 679m and deferred tax related to the divestment of SCA Wood UK Ltd of SEK -6m.

Loss carryforwards

Future tax credits and loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount of SEK 17m on the line future tax credits and tax loss carryforwards in table **TB5:3**. Loss carryforwards for which no deferred tax assets were recognized amounted to **TB5:4** SEK 46m (47), gross, at December 31, 2020. The tax value of uncapitalized tax loss carryforwards amounted to SEK 12m (12). In SCA's opinion, it is not probable that loss carryforwards for which no deferred tax was recognized will be offset against future profits as these largely concern saved capital losses with a limited right of deduction against future capital gains. The expiry dates of these loss carryforwards are distributed as shown in table **TB5:4**.

TB5:4 Loss carryforwards, gross, for which no deferred tax assets were recognized as per December 31, 2020

Year of maturity	SEKm
2021-2024	16
2025 and later	5
Indefinite life	25
Total	46

C. EMPLOYEES

C1. PERSONNEL COSTS

Personnel costs

SEKm	Note	2020	2019
Salaries and remuneration		-2,101	-2,037
TC3:1A of which Executive Management		-56	-50
of which Board	C4	-8	-8
Pension costs		-228	-272
of which defined benefit pension costs	C5	-77	-90
of which other pension costs		-151	-182
Other social security costs		-614	-601
Other personnel costs		-367 ¹⁾	-87
Total personnel costs		-3,310	-2,997

¹⁾ Includes items related to discontinuation of SCA's publication paper operations of approximately SEK 300m.

C2. PERSONNEL DATA

Average number of employees

	2020	2019
Average number of employees	4,196	4,253
of whom men	3,311	3,425
of whom women	885	828

C3. REMUNERATION OF SENIOR EXECUTIVES

Guidelines for remuneration of senior executives

These guidelines shall apply to remuneration to Board members, the President and CEO, vice President as well as other members of the senior management. The guidelines do not apply to remuneration resolved by the general meeting.

Principles for remuneration

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit, motivate and retain qualified personnel through competitive remuneration in line with market levels. To this end, the total remuneration is to correspond to market practice and be competitive on the senior manager's field of profession, as well as be linked to the manager's responsibility, authority and performance. Remuneration may consist of fixed salary, variable salary, other benefits and pension, jointly referred to as total remuneration. The company's business strategy is available on page 18.

Variable remuneration

Variable remuneration shall aim at promoting the company's business strategy and long-term interests, including its sustainability. Variable remuneration shall be based on the outcome in relation to short-term and long-term goals, comprising respectively financial goals (or goals that contribute to financial goals) or to the value development of the company's share. It shall be linked to the fixed annual salary and be capped. Variable remuneration is to be paid as cash remuneration and shall not qualify for pension benefits. Neither the short-term nor long-term portion shall exceed 50% of the fixed annual salary.

Short-term performance goals may include, for example, organic growth, profit, cash flow, capital efficiency, return, health-safety-environment, individual targets, or a combination thereof.

Long-term performance goals shall be linked to the value development of the company's Class B share, measured as TSR-index (Total

Shareholder Return) compared with a weighted index composed of OMX Stockholm 30 and the shares of a number of identified peer companies over a three-year period, where the maximum outcome requires a 5% better performance for the SCA share compared to the peer group index over the multiple-year period. Payment of remuneration for the satisfaction of long-term performance goals shall further be linked to a requirement of a certain investment by the manager in the SCA share, with a three-year minimum holding requirement.

Variable remuneration in the form of project bonuses may be awarded in individual cases. The performance goals shall, in such cases, be linked to the project (e.g. capex or production volume) in order to promote the completion of the project. The satisfaction of goals may be measured, and bonus may be paid, after one or several years. Such project bonus shall not exceed 40% of the total fixed annual salary during the relevant period.

The company shall be able to refrain from paying variable remuneration when required and possible under applicable law, if there is special cause and withholding the payment is necessary to serve the company's long-term interests, including its sustainability. The company shall also have the possibility to, under applicable law, reclaim variable remuneration paid on incorrect grounds.

Pension and other benefits

Pension benefits shall solely contain defined contribution pension benefits, unless the manager is subject to defined benefit pension under applicable collective agreement provisions. The planned retirement age is 65 years. The defined contribution pension shall have total a maximum of 50% of the fixed annual salary.

Other benefits may include, for example, health insurance, company car and wellness allowance.

In the event of termination of employment, a notice period of two years shall typically apply if termination is initiated by the company, or one year, if termination is initiated by the manager. There will be no severance pay.

Decision-making process and reporting

Issues regarding remuneration to senior executives shall be dealt with by the Board of Directors' Remuneration Committee and, in case of the President and CEO, be decided by the Board of Directors. The Remuneration Committee's tasks shall also include preparing the Board of Directors' decision to propose guidelines for remuneration to senior executives, as well as monitoring and evaluating the application of these. The senior executives shall not participate in the Board of Directors' nor the Remuneration Committee's discussions of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

In the preparation of the remuneration guidelines, salary and employment conditions for the company's other employees in Sweden shall be taken into account, including information on the employees' total income, the components of the remuneration and increase and growth rate over time, as well as the company's equality policy.

The Board of Directors shall prepare a remuneration report.

Application of and deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability.

The guidelines do not take precedence over mandatory provisions under applicable employment regulation or collective agreements. In addition, they are not applicable to agreements already signed.

Application of guidelines for remuneration of senior executives 2020

Fixed salary

The fixed salary is to be linked to the senior executive's responsibility and authority. Salaries are decided on an individual basis to a level, using an overall assessment of the executive's total remuneration, that is deemed competitive and corresponds to market practice in the executive's field of profession.

Variable remuneration

The President and CEO and other senior executives are part of SCA's program for variable remuneration where remuneration is paid according to SCA's stipulations. The total variable remuneration can, for the President and CEO, amount to a maximum of 100% of fixed salary while the variable remuneration for other senior executives can amount to a maximum of 80% of fixed salary. Variable remuneration is divided into a short and long-term portion.

The short-term variable remuneration (Short Term Incentive, STI) can, for the President and CEO, amount to a maximum of 50% of the fixed salary and for other senior executives to 40% of the fixed salary. The established STI targets in 2020 for the President and CEO and CFO focused on the Group's EBITDA, profit for the period, operating cash flow, industrial return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA). For senior executives with Central Staff functions, the Manager for the support unit Sourcing & Logistics and for the Business Area Manager of Forest, the STI targets focused on the Group's EBITDA, profit, operating cash flow, industrial return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA). For the Wood, Pulp and Paper business area presidents, the STI targets relate to EBITDA, operating cash flow and return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA). The Manager of Renewable Energy follows the Group-wide targets, but with the additional target of EBITDA for the business area.

The long-term portion (Long Term Incentive, LTI) can, for the President and CEO, amount to a maximum of 50% of fixed salary and for other senior executives to 40% of fixed salary, where half of the net outcome (after tax deductions) is to be used to buy shares in SCA. The acquired shares may then not be sold within three years of the purchase of shares in the relevant LTI program.

The LTI goal is based on the performance of the company's Class B share over a three-year period, measured using the TSR index compared with a weighted index. The maximum outcome requires the performance target (TSR) for the company to be 5% better than the outcome for the peer group.

Outcome, variable remuneration

For the President and CFO, STI resulted in 11.9% and 9.5%, respectively, of fixed annual salary for 2020 (23.8% outcome of maximum share of STI). For Central Staff Managers, STI resulted in 9.5% of fixed annual salary (23.8% outcome of maximum share of STI). STI resulted in variable remuneration corresponding to 6.8–22.8% of fixed annual salary for other senior executives with responsibility for a business area (between 17.1% and 57.1% outcome of maximum share of STI). The LTI target was achieved for 2018–2020, resulting in maximum outcome for the President and CEO and other senior executives, which provided LTI compensation equivalent to 50% and 40% respectively

of the fixed salary. The President and CEO and other senior executives are entitled, as all Swedish white collar employees at SCA, to convert proceeds from variable pay programs into pension. This process is cost neutral for SCA.

Pensions

The senior executives are covered by a defined contribution pension, where the company annually pays a premium of 40% of the fixed salary to the President and CEO and an annual premium of 30% of the fixed salary to other senior executives. One senior executive has a defined benefit pension solution. The agreed pension premium for the President and CEO and other senior executives is paid as long as they are employed, though not longer than the month before the month the senior executive reaches the age of 65.

Other benefits

Other benefits pertain to company cars and any other benefits.

Notice period and severance pay

The agreement with the President and CEO stipulates a period of notice of 24 months if such notice is given by the company and a period of notice of 6 months if notice is given by the President and CEO. If notice is given by the company, the President and CEO is obligated to be available to the company during the notice period if so requested by the company. If the President and CEO, after written approval from the company, assumes a new position during the period of notice then, unless otherwise agreed, the new salary will be deducted from the salary received during the notice period. The agreement does not contain any stipulations with regard to severance pay.

Other senior executives have a notice period, if such notice is given by the company, of 12 months, which after five years of service, from their latest employment, increases to 18 months. The executive's notice period toward the company is 6 months. One senior executive has differing conditions, with a notice period, if such notice is given by the company, of 18 months, which after three years of service increases to 24 months. If requested by the company, this executive is obligated to be available to the company during the notice period. Any new salary from other positions will be deducted from the salary received during the notice period. The agreements have no stipulations with regard to severance pay.

Preparation and decision process for remuneration

During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of Senior executives. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of corporate management for the fiscal year was based on the Remuneration Committee's recommendation. Matters of remuneration of the President and CEO were resolved by the Board of Directors. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed necessary, the work of the Remuneration Committee was carried out with the support of external expertise. For information about the composition of the Remuneration Committee, see page 74.

Current guidelines

The guidelines for determining salaries and other remuneration for senior executives as resolved by the 2020 Annual General Meeting (AGM), apply until the 2024 AGM, unless material changes are implemented prior to that.

GROUP

TC3:1A Remuneration and other benefits during the year 2020

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO	9,250,000	5,725,750 ³⁾	130,078	15,105,828
Other senior executives (11 persons)	26,155,200	13,222,128 ⁴⁾	1,037,281	40,414,609
Total	35,405,200	18,947,878	1,167,359	55,520,437

¹⁾ Fixed salary consists of salary paid and vacation pay supplement for the period, and, where applicable, the value of housing benefits.

²⁾ Variable remuneration covers the 2020 fiscal year but is paid in 2021.

³⁾ Of which LTI program SEK 4,625,000.

⁴⁾ Of which LTI program SEK 10,458,000.

Remuneration and other benefits during the year 2019

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO	8,500,000	4,479,500 ³⁾	126,125	13,105,625
Other senior executives (11 persons)	24,448,200	11,244,849 ⁴⁾	940,805	36,633,854
Total	32,948,200	15,724,349	1,066,930	49,739,479

¹⁾ Fixed salary consists of salary paid and vacation pay supplement for the period, and, where applicable, the value of housing benefits.

²⁾ Variable remuneration covers the 2019 fiscal year but is paid in 2020.

³⁾ Of which LTI program SEK 4,250,000.

⁴⁾ Of which LTI program SEK 9,775,200.

The Senior executives category above includes 11 (11) persons, of which 8 (9) are men and 3 (2) are women.

TC3:1B Pension costs 2020¹⁾

SEK	
President and CEO ²⁾	3,859,438
Other senior executives (11 persons) ²⁾	9,297,311
Total	13,156,749

¹⁾ The pension costs pertain to the costs that affected profit for 2020, excluding pension tax expense.

²⁾ Outstanding pension obligations to all senior executives, including the President and CEO, amounted to SEK 47,966,300 (value as of December 31, 2020). These primarily consist of defined benefit pension plans, including ITP.

Pension costs 2019¹⁾

SEK	
President and CEO ²⁾	3,552,317
Other senior executives (11 persons) ²⁾	8,621,740
Total	12,174,057

¹⁾ The pension costs pertain to the costs that affected profit for 2019, excluding pension tax expense.

²⁾ Outstanding pension obligations to all senior executives, including the President and CEO, amounted to SEK 44,986,000 (value as of December 31, 2019). These primarily consist of defined benefit pension plans, including ITP.

C4. FEES TO BOARD MEMBERS IN THE PARENT COMPANY

Remuneration to non-executive Board members refers to the established fees approved at the 2020 Annual General Meeting (AGM), for the period until the next AGM in April 2021. No remuneration is paid to the President and CEO and other employees.

SEK	Board fee		Audit Committee fee		Remuneration Committee fee		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Pär Boman	1,875,000	1,875,000	260,000	260,000	140,000	140,000	2,275,000	2,275,000
Charlotte Bengtsson	625,000	625,000	-	-	-	-	625,000	625,000
Lennart Evrell	625,000	625,000	-	-	110,000	110,000	735,000	735,000
Annemarie Gardshol	625,000	625,000	-	-	-	-	625,000	625,000
Martin Lindqvist	625,000	625,000	260,000	260,000	-	-	885,000	885,000
Lotta Lyrå	112,848	625,000	-	-	-	-	112,848	625,000
Bert Nordberg	625,000	625,000	-	-	110,000	110,000	735,000	735,000
Anders Sundström	625,000	625,000	-	-	-	-	625,000	625,000
Barbara Milian Thoralfsson	625,000	625,000	360,000	360,000	-	-	985,000	985,000
Total	6,362,848	6,875,000	880,000	880,000	360,000	360,000	7,602,848	8,115,000

At the end of the year, SCA's Board consisted of 3 women and 6 men. Lotta Lyrå left the SCA Board in June at her own request.

C5. REMUNERATION AFTER EMPLOYMENT**AP ACCOUNTING PRINCIPLES****Defined benefit pension plans**

Defined benefit pension plans are characterized by the fact that payment is based on the period of employment and the employee's salary at, or just prior to, retirement. The actuarial and investment-related risks associated with defined benefit pension plans are carried by the company. The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. Calculation is based on actuarial assumptions. Actuarial assumptions comprise the company's best assessment of the variables that determine the final cost for providing the benefits. The obligation is measured at the present value of the anticipated future cash flows using a discount rate (refer to Key assessments and assumptions). Actuarial gains and losses (remeasurements) are recognized directly in equity under other comprehensive income in the period in which they arise. The recognized cost for the defined benefit plans includes personnel costs, as well as net interest items. Net interest items comprise the discount rate calculated on the average net pension liability for the period, taking fee and remuneration payments into consideration. The difference between the calculated discount rate on the plan assets and SCA's actual return on the plan assets is included in the remeasurement of the defined benefit net liability (net asset) recognized in equity under other comprehensive income. Past service costs are recognized in the income statement in the period in which they arise.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the obligation on the balance sheet date minus the fair value of the plan assets. Funded plans with net assets, meaning plans with assets exceeding obligations, are recognized as a financial non-current asset provided they are not limited by the asset ceiling in IAS 19. Other pension plans, which are not fully funded or unfunded, are recognized as Provisions for pensions.

In certain countries, pension payments are subject to taxes or fees. In such cases, these are included in the calculation of the obligation for the defined benefit pension plans. These taxes or fees are recognized as an expense in the income statement, except in cases where they are attributable to actuarial gains or losses, in which case they are recognized directly in equity under other comprehensive income, as are the actuarial gains or losses.

Defined contribution pension plans

Plans where the employer's obligation is limited to the premiums the company has undertaken to pay are classified as defined contribution plans. In these plans, it is the employee who bears the investment risk, meaning the risk that the invested assets could be insufficient to generate the anticipated compensation. The Group's payments relating to defined contribution plans are recognized as an expense during the period the employees carry out the service to which the payment relates.

Severance pay

Severance pay is recognized as a payroll expense in cases when the Group has an obligation to compensate employees whose employment was terminated early.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. The key assumptions and assessments include the discount rate, future salary increases, inflation and life expectancy. SCA determines the discount rate based primarily on AA-rated corporate bonds issued in the currency in which the payments will be made that match the duration of the obligations. If no such corporate bonds are available, government bonds or mortgage bonds are used. Inflation assumptions are based on a combination of central bank targets, implicit market expectations and long-term analyst forecasts. Assumptions regarding salary increases are based on market expectations and market research forecasts. Actuarial assumptions are presented in **TC5:5**. The sensitivity of the recognized provision with respect to key actuarial assumptions is described in **TC5:6**.

GROUP

Provisions for pensions and similar obligations

SEKm	2020	2019
TC5:2 Defined benefit obligations	2,087	1,913
TC5:3 Fair value of plan assets	-3,778	-3,296
TC5:4 Effect of asset ceiling	892	886
TC5:1 Provision for pensions, net	-799	-497

Surpluses in funded plans recognized as financial non-current assets amounted to **BS** SEK 1,329m (1,019) on the balance sheet date and provisions for pensions totaled **BS** SEK 530m (522). Defined benefit obligations include obligations in an amount of SEK 164m (171) pertaining to unfunded plans.

SCA has both defined contribution and defined benefit pension plans in a number of subsidiaries. The most significant defined benefit pension plan is the pension plan in Sweden, as described in **TC5:1**.

TC5:1 Provisions for pensions and similar obligations per plan

SEKm	Commitments				Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
	Active	Paid-up pension policies	Pensioners	Total				
Country								
Sweden	790	413	542	1,745	-2,735	-	-990	20
Other	209	72	61	342	-1,043	892	191	12
Total	999	485	603	2,087	-3,778	892	-799	

Sweden

The ITP2 plan (supplementary pensions for salaried employees) encompasses employees born before 1979 and is a defined benefit plan that provides retirement pension based on final salary. The ITP2 plan provides pension as a percentage of various salary intervals.

The pension is reduced proportionately if the total period of service is less than 30 years. The ITP2 plan is managed by a fund, and the company may compensate itself using any surpluses in the plan assets.

Other

In addition to those described above, there are a number of minor pension obligations, including in Belgium, Germany and Sweden. Some of these plans are funded.

Costs for the period for defined benefit plans

SEKm	2020	2019
Current service cost, after deduction for premiums paid by the employees	-211	-90
Pension tax expense	-9	-16
Net interest	5	1
Pension costs before effects of reductions and settlements	-215	-105
Reductions and settlements	30	-
Pension costs after effects of reductions and settlements	-185	-105

TC5:2 Defined benefit obligations

SEKm	2020	2019
Value January 1	1,913	2,010
Current service cost	211	90
Interest expense	31	44
Pension tax expense	9	16
Gains (-) and losses (+) on reductions and settlements	-30	-
Acquisitions and divestments	-	-215
Benefits paid	-62	-61
Pension taxes paid	-4	-2
Remeasurement: financial assumptions	127	103
Remeasurement: experience-based assumptions	-43	8
Pension taxes pertaining to remeasurement	-64	-87
Translation differences	-1	7
Value December 31	2,087	1,913

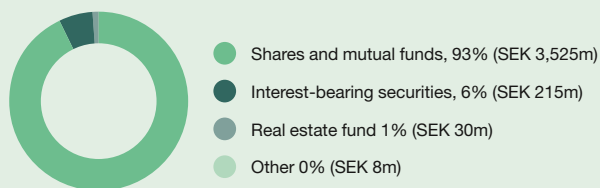
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include unexpectedly high or low employee turnover.

GROUP

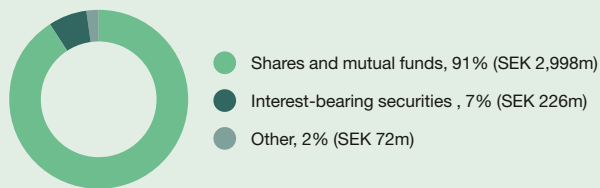
TC5:3 Fair value of plan assets

SEKm	2020	2019
Fair value January 1	-3,296	-2,797
Interest income	-50	-61
Acquisitions and divestments	-	188
Contributions by plan participants	-	-1
Contributions by the employer	-15	-17
Benefits paid, excluding settlements	55	51
Return in excess of recognized interest income	-473	-654
Translation differences	1	-5
Fair value December 31	-3,778	-3,296

The plan assets are distributed according to the following classes of assets 2020:



The plan assets are distributed according to the following classes of assets 2019:



100% (98) of the plan assets on the balance sheet date were traded on active markets in which market quotations are used for the valuation of assets. As in the preceding year, no financial instruments issued by SCA are included in the fair value of plan assets at December 31, 2020.

TC5:4 Effect of asset ceiling

SEKm	2020	2019
Value January 1	886	685
Interest expense	14	15
Other changes to asset ceiling	-8	186
Value December 31	892	886

Effect of asset ceiling pertains to funds in one Swedish foundation that can be used for possible future undertakings for early retirement for certain categories of employees.

TC5:5 Principal actuarial assumptions

	Sweden	Eurozone
2020		
Discount rate	0.89	0.35
Expected salary increase rate	2.56	1.97
Expected inflation	1.36	0.77
Life expectancy, men ¹⁾	22	20
Life expectancy, women ¹⁾	25	24
2019		
Discount rate	1.51	0.78
Expected salary increase rate	2.88	2.48
Expected inflation	1.63	1.23
Life expectancy, men ¹⁾	22	21
Life expectancy, women ¹⁾	25	24

¹⁾ Life expectancy, expressed in years, for an individual currently aged 65.

TC5:6 Change of obligation, increased obligation (-)

SEKm	
Discount rate +0.25%	96
Price inflation, incl. salary inflation +0.25%	-110
Longevity +1 year	-90

The sensitivity analysis is calculated by changing one assumption while the others remain constant.

Other disclosures

Multiemployer plans

SCA has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. These benefits are reported as defined contribution plans since there is no basis for allocating the obligations, plan assets and costs to the individual companies covered by the plan.

Budgeted contributions

The budgeted contributions for the company's defined benefit pension plans for 2021 were calculated at SEK 53m. Contributions for multi-employer plans for 2021 were calculated at SEK 9m.

D. OPERATING ASSETS AND LIABILITIES

D1. INTANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

Goodwill

Goodwill arises in connection with business combinations where the consideration transferred exceeds the fair value of the acquired net assets. Goodwill is recognized at cost less accumulated impairment and is an intangible asset with an indefinite useful life. This means that goodwill is not amortized, but rather is tested annually for impairment. All goodwill is allocated to the cash-generating units that to benefit from the synergies from the business combination. In connection with the sale of Group companies, goodwill attributable to the divested unit is included in the capital gain. Goodwill that arises in acquisitions of associated companies or joint ventures is included in the carrying amount of the respective associate or joint venture. The cash-generating units correspond to the operating segments in accordance with Note B1.

Other intangible fixed assets

Intangible assets also include patents, licenses and other similar rights. Acquired assets of this type are recognized at cost and are amortized on a straight-line basis during their anticipated useful life, which varies between 3 and 20 years.

Customer relations are measured at fair value at the time of the acquisition. The value of these customer relations is amortized over their useful life, which is considered to be between 3 and 15 years.

Research expenditure is recognized as an expense as incurred. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Capitalized expenditure is amortized on a straight-line basis from the date when the asset is in a location and in the condition required to use it in the manner intended by management.

Impairment testing

Goodwill is tested annually for impairment. When testing for impairment, the assets are grouped in cash-generating units in accordance with SCA's operating segments in Note B1. The test compares the carrying amounts of the cash-generating units with the recoverable amounts. The recoverable amount of each cash-generating unit is determined by discounting future cash flows in order to determine their value in use. The calculation of future cash flows is based on the strategic plans adopted by Executive Management for the next three years. The carrying amount for the cash-generating unit includes goodwill with indefinite useful lives and assets with definite useful lives, such as non-current assets and working capital.

The value of depreciated assets is tested for impairment when there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount.

An impairment loss recognized earlier is reversed, if the reasons for the impairment no longer exist. However, a reversal is not higher than the carrying amount before impairment loss. Impairment losses on goodwill are never reversed.

Emission allowances and costs for carbon dioxide emissions

SCA participates in the European system for emission allowances and receives a permit to emit a specific volume of carbon dioxide (CO₂) during a calendar year for each facility in which operations requiring a permit are conducted. Emission allowances relating to CO₂ emissions are recognized as an intangible asset and as deferred income (liability) when they are received. Emission allowances are received free of charge and measured and recognized at market value as of the date to

which the allocation pertains. During the period, the initial liability for emission allowances received is dissolved over the income statement as income in pace with actual CO₂ emissions. If the emission allowances received do not cover actual emissions, SCA makes a provision for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the delivery date.

If the market price of emission allowances on the balance sheet date is less than recognized cost, any surplus emission allowances that are not required to cover emissions made are impaired to the market price. In conjunction with this, the remaining part of the deferred income is recognized as income by a corresponding amount and therefore no net effect occurs in the income statement. The emission allowances are used as payment in the settlement with the Swedish state regarding liabilities for actual CO₂ emissions.

Intangible fixed assets

SEKm	Goodwill		Other intangible assets	
	2020	2019	2020	2019
Accumulated costs	24	46	583	445
Accumulated depreciation	-	-	-251	-242
Accumulated impairment	-24	-43	-53	-32
Total	-	3	279	171
Value January 1	3	3	171	101
Investments	-	-	143	86
Sales and disposals	-	-	-3	-
Company divestments ¹⁾	-3	-	-1	-
Reclassifications	-	-	7	-
Depreciation	-	-	-18	-16
Impairments	-	-	-20	-
Value December 31	-	3	279	171
TD1:1 Emission allowances, net value	-	-	41	37
BS Value, December 31 including emission allowances	-	3	320	208

¹⁾ Company divestments pertain entirely to the divestment of SCA Wood UK Ltd.

Impairment testing

Annual testing for impairment of goodwill is carried out in the fourth quarter. During the final quarter of 2020, SCA divested its remaining goodwill, and therefore no impairment testing took place. The discount rate before tax used in the impairment testing of goodwill was 7.61% in 2019. No impairment was carried out during the year.

In addition to annual impairment testing of the cash-generating units, individual assets are tested to determine whether any impairment is needed. During the period, intangible fixed assets entirely attributable to publication paper operations was impaired by SEK -20m.

TD1:1 Emission allowances

SEKm	2020	2019
Accumulated costs	37	37
Total	37	37
Value January 1	37	24
Emission allowances received	129	124
Sales	-95	-94
Settlement with the government	-30	-17
Value December 31	41	37

D2. TANGIBLE FIXED ASSETS
AP ACCOUNTING PRINCIPLES

Property, plant and equipment is recognized, with the exception of land assets relating to forest assets, at cost less accumulated depreciation and any impairment. In cases where an investment in foreign currency has been recognized using hedge accounting, the gain/loss from the hedge is recognized as part of the acquisition cost. The cost of properties and production facilities included in major projects includes costs for running-in and start-up. The sale of products of sufficient quality from the running-in period is recognized as net sales. Borrowing costs are included in the cost of investments exceeding SEK 250m that take more than 12 months to complete. Expenditure for repairs and maintenance is expensed directly in the income statement. Income from the sale of products manufactured during the completion of the facility are recognized over the income statement.

Land assets attributable to forest assets are recognized on a separate line in the balance sheet and are included in Note D3 Forest assets.

Depreciation and impairment

Land is not subject to depreciation. Buildings, land improvements, machinery and equipment are depreciated on a straight-line basis over the useful lives of the assets. If, at accounting year-end, there is an indication that property, plant and equipment has declined in value, impairment testing is carried out.

Assessed useful lives

	Number of years
Pulp and paper mills, sawmills	10–25
Other machinery	7–18
Tools	3–10
Vehicles	4–5
Buildings	15–50
Energy plants	15–30
Computers	3–5
Office equipment	5–10
Harbors and railways	20–30
Land improvements	10–20

Carrying amounts

SEKm	Buildings		Land and land improvements ¹⁾		Machinery and equipment ⁴⁾		Construction in progress ²⁾³⁾⁴⁾		Total property, plant and equipment	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated costs	5,731	5,764	3,557	3,440	31,219	30,916	3,408	1,691	43,915	41,811
Accumulated depreciation	-2,852	-2,752	-1,972	-1,841	-18,475	-17,685	-	-	-23,299	-22,278
Accumulated impairment	-259	-147	-84	-85	-1,625	-1,110	-7	-7	-1,975	-1,349
Total	2,620	2,865	1,501	1,514	11,119	12,121	3,401	1,684	18,641	18,184
Value January 1	2,865	3,085	1,514	1,565	12,121	12,498	1,684	565	18,184	17,713
Investments	8	37	105	125	206	420	2,250	1,666	2,569	2,248
Sales and disposals	-1	-1	-1	-	-11	-5	-	-	-13	-6
Company divestments	-17	-203	-8	-5	-48	-72	-	-	-73	-280
Reclassifications	9	81	24	42	503	410	-543	-533	-7	-
Depreciation	-131	-142	-132	-132	-1,135	-1,132	-	-	-1,398	-1,406
Impairments	-112	-	-1	-82	-514	-2	-	-	-627	-84
Translation differences	-1	8	-	1	-3	4	10	-14	6	-1
BS Value December 31	2,620	2,865	1,501	1,514	11,119	12,121	3,401	1,684	18,641	18,184

¹⁾ Land and land improvements include forest roads valued at SEK 910m (901). Investments for the year in forest roads amounted to SEK 91m (90) and depreciation for the year to SEK 82m (80).

²⁾ During the period, interest was capitalized in construction in progress in an amount of SEK 21m (0). The average interest rate used was 1% (1).

³⁾ Of the outgoing value of construction in progress and advance payments for property, plant and equipment, SEK 2,324m (922) pertains to the investment project in Obbola.

⁴⁾ In 2020, machinery and equipment includes investment grants of SEK 2m and investment grants in construction in progress of SEK 8m.

D3. FOREST ASSETS

AP ACCOUNTING PRINCIPLES

Forest assets are divided into standing timber and land assets. Standing timber is recognized as a biological asset in accordance with IAS 41 Agriculture. Land assets are recognized as property, plant and equipment in accordance with IAS 16 Property, plant and equipment. The method for valuing forest assets was changed in 2019. The impact and a detailed description are available on page 105, Note D3, of SCA's 2019 Annual Report.

The total value of the forest assets is based on forest transactions in the areas where SCA owns forest assets. The market valuation is based on statistics of transactions, which are available from several market sources. SCA uses refined property data from external specialists for the valuation. The statistics can be viewed as market-corroborated inputs in accordance with measurement level 2. In the case of SCA, inputs to the valuation of forest assets that are used in accordance with IFRS 13 are recognized at various levels in the evaluation hierarchy. For a description of the different measurement levels, refer to Note E1. The valuation is recognized in its entirety as level 3. Certain adjustments are made to refine the market-corroborated inputs using unobservable inputs. In addition to this, an assessment is carried out of the transaction periods to be included in the calculation of an average price. No transfers have taken place between the measurement levels during the year. If a transfer had taken place between the measurement levels, this would be undertaken at year-end.

In combination with market transactions, and to determine the fair value of the Group's biological assets, expected future cash flows from the assets were also discounted. The calculation to establish the value of biological assets is based on existing, sustainable harvesting plans and assessments regarding growth, timber prices, harvesting and silviculture costs and selling expenses. Environmental restrictions and other limitations are taken into account which mean that the assets cannot be fully utilized in the best possible manner. The calculation is performed for a production cycle for biological assets that SCA estimated to average 100 years. The change in value is recognized in the income statement on the line item for change in value in biological assets.

The value of land assets constitutes the residual amount between the total value established as the total market value and the value of the biological assets based on discounted cash flows. The value of land assets was further supported by discounting cash flow linked to land assets. Land assets relating to forest assets are recognized at fair value in accordance with IAS 16.31, and are recognized on a separate line in the balance sheet under forest assets. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the year.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

SCA has based its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets. The calculated market price is based on forest transactions over the last three years. The market price is a weighted three-year average that in 2020 was SEK 291 (276)/m³fo and is used to determine the total average value per m³fo of SCA's forest assets in Sweden. The market in the Baltic states is considered comparable with SCA's holdings in Sweden in terms of price, and is therefore measured at the same value per m³fo. The distribution of value between biological assets and land in the Baltic states takes place using SCA's own discounted cash flow model since the production cycles differ.

A new sustainable harvesting calculation was drawn up in 2020 based on the forest survey from 2019 that indicated higher growth in the forest than earlier surveys. This resulted in a new harvesting plan that contains an increase in the harvesting level from SCA's own forest, where SCA intend to increase harvesting to 5.4 million m³sub in 2025, which compares with the previous plan where the level was 4.0 million m³sub for the same period. As of December 31, 2020, timber volume is estimated to amount to approximately 252 million m³fo in Sweden. Added to this is approximately 5 million m³fo of timber volume in the Baltic states.

TD3:1 describes the sensitivity of the carrying amount with respect to key assumptions.

Forest assets

SEKm	2020	2019
Forest assets in Sweden ¹⁾	73,387	68,723
Forest assets in the Baltic states ²⁾	1,513	959
Total value of biological assets and land assets	74,900	69,682
Deferred tax related to forest assets	14,977	13,977

¹⁾ The fair value of SCA's forest assets in Sweden in 2020 was based on a timber volume of approximately 252 million m³fo multiplied by the market price of SEK 291/m³fo.

²⁾ The fair value of SCA's forest assets in the Baltic states in 2020 was based on a timber volume of approximately 5 million m³fo multiplied by the market price of SEK 291/m³fo.

Biological assets

SEKm	2020 ¹⁾	2019 ¹⁾
Value January 1	49,512	32,065
Acquisition of biological assets	397	709
Divestment of biological assets	-13	-21
Other changes in fair value	2,598	1,807
Change due to felling	-1,218	-1,090
Change due to new method and new assumptions	-	16,042
BS Value of biological assets, December 31	51,276	49,512

¹⁾ Following the acquisition of forest assets in Sweden, the fair value has been distributed such that 31% (31) of the value has been allocated to land assets and 69% (69) to biological assets. For the acquisitions made in Estonia and Latvia, 25% (25) of the acquisition price has been allocated to land assets and 75% (75) to biological assets.

Land assets

SEKm	2020 ¹⁾	2019 ¹⁾
Value January 1	20,170	1,000
Acquisition of land assets	145	286
Divestment of land assets	-5	-9
Revaluation of land assets at fair value	3,314	18,893
BS Value of land assets, December 31	23,624	20,170
Acquisition cost	1,657	1,501

¹⁾ Following the acquisition of forest assets in Sweden, the fair value has been distributed such that 31% (31) of the value has been allocated to land assets and 69% (69) to biological assets. For the acquisitions made in Estonia and Latvia, 25% (25) of the acquisition price has been allocated to land assets and 75% (75) to biological assets.

GROUP

The change in the fair value of biological assets and the change due to harvesting are both recognized as a net value in the income statement on the line Change in value in biological assets and amount to SEK 1,262m (16,759). Additionally, SCA capitalized replanting costs.

The valuation of biological assets and land assets was based on market statistics and discounted cash flows. For the current year's valuation of biological assets, the same valuation model was used as in the previous year using a yield requirement of 3.6% (3.6) after tax.

When cash flow was discounted, estimated income and expenses were adjusted by an annual inflation rate of 2%. Assumptions regarding future price and cost levels are based on the outcome for prior years adjusted for inflation. The valuation assumes an average wood price of SEK 450 (442) per solid cubic meter under bark (m³sub). Annual harvesting in 2020 was 4.8 million m³sub and is expected to rise over the expected future production cycle.

On average, 85% of harvesting is final harvesting and 15% thinning. Of this, 56% comprises sawlogs and 44% pulpwood.

SCA's forest holdings are made up of approximately 2.6 million hectares of forest assets primarily in northern Sweden, of which approximately 2.0 million is productive forest land. SCA also owns just over 40,000 hectares of forest assets in Estonia and Latvia. Growth amounts to approximately 10.5 million m³fo per year, gross, on productive forest area. Net growth, meaning growth after harvesting and natural losses, is estimated at 3.2 million m³fo per year in Sweden. Harvesting in 2020 amounted to approximately 4.8 million m³sub (4.4).

Forest assets

	2020 ¹⁾	2019 ¹⁾
Carrying amount SEK/hectare forest assets	36,989	34,412
Carrying amount SEK/m ³ fo	291	276

¹⁾ The values are calculated based on productive forest area.

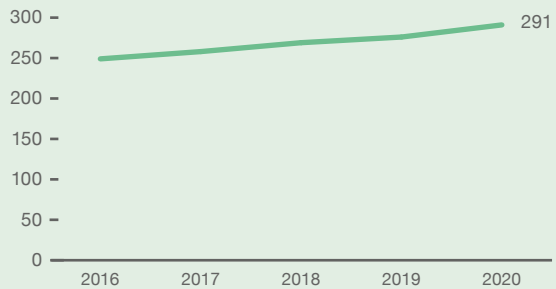
TD3:1 Sensitivity analysis

SEK/m	Change in assumption	Change in value before tax, 2020
Market price based on market statistics ¹⁾	Price change 5% on a total volume of 257 million m ³ fo	3,745
Forest portfolio's timber volume ¹⁾	3 million m ³ fo (approx. 1%)	873

¹⁾ The sensitivity figures are based on the market price, which for 2020 has been set to SEK 291/m³fo. Sensitivity figures are based on the total value of forest assets.

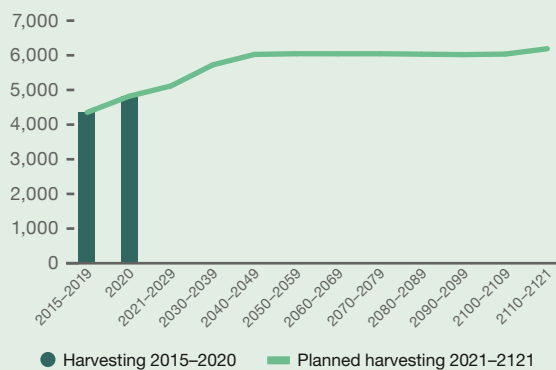
Market price

Historical market price (based on three-year average 2016–2020) (SEK/m³fo)



Harvesting

Harvesting 2015–2020 and planned harvesting 2021–2121 (1,000m³sub/year)



D4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

AP ACCOUNTING PRINCIPLES

Lessee

A contract is or contains a lease agreement if the contract conveys the right to determine the use of an identifiable asset for a specified period of time in return for compensation. When an agreement is entered into, a company must consider whether the contract is or contains a lease agreement. SCA's lease agreements primarily consist of trains, office premises, terminals, warehouses, other buildings, various transport vehicles and company cars. Leases are recognized in accordance with IFRS 16 Leases, which means a lessee must recognize a right-of-use asset and a lease liability in the balance sheet when a lease comes into effect. The standard includes exemptions for short-term leases (leases with a lease term of 12 months or less) and leases where the underlying asset has a low value. SCA uses the available exemption, which means short-term leases and leases for which the underlying asset has a low value are not recognized in the balance sheet. Leases covered by the exemption largely consist of photocopiers and coffee machines.

On the date of initial application for the lease, the lease liability is measured at the present value of outstanding lease payments. This encompasses fixed fees after deductions for any benefits, variable

lease payments linked to index or price and amounts expected to be paid by the lessee in accordance with residual value guarantees. Lease payments include the exercise price for a purchase option if the lessee is reasonably certain of exercising the option and financial penalties to be paid on termination of the lease if the lease term reflects that the lessee will utilize this option. Variable lease payments not linked to price or interest are expensed.

Lease payments are to be discounted by the interest rate implicit in the lease contract, if it can be readily determined. In cases where the rate cannot be readily determined, lease payments are discounted using SCA's incremental borrowing rate. A substantial part of SCA's lease liability has been discounted using the incremental borrowing rate. The incremental borrowing rate is to reflect the interest rate a lessee would have to pay for financing through loans for the equivalent period with similar collateral, for the right-of-use of an asset in a similar economic environment. SCA has prepared a method for determining the incremental borrowing rate, which includes the credit rating of the individual subsidiaries, the economic environment, contract duration of the lease and class of asset. Updating the incremental borrowing rate is performed on a regular basis of new and modified

GROUP

contracts. After the date of initial application, the lease liability increases by the interest on the lease liability but decreases as lease payments are made. The lease liability is remeasured using a modified discount rate in cases where the lease term changes or if the assessment of an option to purchase the underlying asset changes. The lease liability is remeasured using an unchanged discount rate if the amount expected to be paid in accordance with the residual value guarantees is changed, or the future lease payments are changed due to changes in price or index. Lease liabilities are classified as financial liabilities, see Note E4.

On the date of initial application for the lease, the date on which the underlying asset becomes available for use, a right-of-use asset is recognized. Right-of-use assets are measured at cost, which includes the sum of the original lease liability, any initial direct fees and an estimate of any recovery expenses. Furthermore, cost includes all lease payments made on or before the date of initial application, after deductions for any benefits received in conjunction with signing the lease. After the date of initial application, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment, taking into account adjustments for any revaluation of the lease liability. Right-of-use assets are depreciated over their useful life, if there is reasonable certainty that a purchase option will be exercised. Otherwise, the lessee must depreciate the right-of-use from the date of initial application until which ever occurs first of the end of the useful life or the end of the lease term. An assessment of useful lives is presented in table **TD4:1**.

Impairment is addressed in Note D2.

Lessor

When SCA is lessor, each contract is classified as either an operating or finance lease. A lease is classified as finance if the contract means the economic benefits and risks normally associated with ownership of the underlying asset are essentially transferred. A lease is classified as operating if the economic benefits and risks associated with ownership of an underlying asset are essentially not transferred. Lease payments are recognized as income on a straight-line basis over the contract term.

At the end of 2020, SCA signed an agreement concerning the subletting of a property. The right-of-use under the sublet is classified as an operating lease. The classification is primarily based on the master agreement entered into by SCA and not on the basis of the underlying asset.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

IFRS 16 stipulates that when entering into any agreement an assessment must be made of whether the contract is or includes a lease. SCA assesses all contracts entering into force on an individual basis with the exception of contracts for company cars, which are assessed as a portfolio. In cases where a lease contract includes an identifiable asset, but where SCA is not entitled to receive essentially all benefits from use of the asset or is not entitled to control use of the identified asset, SCA's opinion in all instances is that the contract is not, nor does it contain, a lease agreement. A contract can include components that are not to be classified as lease components, such as included services, personnel and administration. SCA has chosen to exclude non-lease components for all leases.

The lease term is defined as the non-cancellable lease period together with periods that may be covered by an option to extend a lease if the lessee is reasonably certain of utilizing this alternative and periods covered by an option to terminate the lease if the lessee is reasonably certain of not utilizing this alternative. SCA has a number of contracts where the contractual terms clearly encompass extension periods. The right to an extension has been utilized when SCA with reasonable assurance can determine that the contract will be extended. SCA has not utilized the right to an extension for leases where the lease period exceeds ten years as the assessment is that "reasonable assurance" cannot be applied to such a long interval. The following extension periods have been utilized for contracts that include a right to an extension for an unspecified period and where SCA with reasonable assurance will utilize this right: forklifts and other work vehicles three years, property five years. A number of contracts include an option to withdraw from the agreement early, but where an early termination would trigger a termination fee, the size of which is dependent on when the agreement is terminated. SCA has not considered the option to withdraw from an agreement early as there is no financial incentive given the often significant termination fee. In cases where SCA and its counterparty are each independently entitled to terminate a lease without permission from the other party and without a substantial financial penalty, SCA has considered the agreement as unenforceable. In cases where only the counterparty was entitled to terminate an agreement, the contract's period of notice has constituted the lease term. When SCA has been solely entitled to terminate an agreement, the lease term in the majority of cases was assessed as 3–5 years, as described above.

In applicable cases, residual value guarantees were taken into account when determining the lease payments.

Leases where SCA is lessee in accordance with IFRS 16
Carrying amounts right-of-use assets and lease liabilities

SEKm	Right-of-use assets					Total	Lease liabilities ⁴⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other		
Value January 1, 2020	339	284	141	51	26	841	854
Lease payments ¹⁾	-	-	-	-	-	-	-203
Depreciation	-56	-35	-43	-40	-10	-184	-
Interest expenses	-	-	-	-	-	-	30
Additional and remeasured contracts ²⁾	22	-	30	42	9	103	108
Terminated contracts ³⁾	-6	-	-11	-4	0	-21	-26
Translation differences	-10	-	0	0	-	-10	-12
BS Value December 31, 2020	289	249	117	49	25	729	751

¹⁾ During the year, SCA was not allocated any discounts related to Covid-19.

²⁾ Additional contracts amount to SEK 74m and remeasurement of existing contracts to SEK 29m. The remeasurement of leases mainly concerns the extension of the lease period for a number of rental contracts and indexed rental payments.

³⁾ Terminated contracts are mainly attributable to the divestment of SCA Wood UK Ltd.

⁴⁾ Of the total lease liability at year-end, SEK 603m is classified as non-current financial liabilities and SEK 148m as current financial liabilities. An analysis by maturities is provided in Note E4.

GROUP

SEKm	Right-of-use assets					Total	Lease liabilities ³⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other		
Value January 1, 2019	622	319	196	50	36	1,223	1,211
Lease payments	-	-	-	-	-	-	-204
Depreciation	-66	-35	-48	-31	-9	-189	-
Interest expenses	-	-	-	-	-	-	46
Additional and remeasured contracts ¹⁾	86	-	17	34	-	137	137
Terminated contracts ²⁾	-318	-	-25	-2	-1	-346	-352
Translation differences	15	-	1	-	-	16	16
BS Value December 31, 2019	339	284	141	51	26	841	854

¹⁾ Additional contracts amount to SEK 90m and remeasurement of existing contracts to SEK 47m. The remeasurement of leases mainly concerns the extension of the lease period for planing mills in the UK and the extension of the lease period for a fuel pellets plant in Luleå.

²⁾ Terminated contracts mainly relate to the divestment of the logistics terminal in Rotterdam and the merger of SCA Wood France and Groupe ISB.

³⁾ Of the total lease liability at year-end, SEK 698m is classified as non-current financial liabilities and SEK 156m as current financial liabilities. An analysis by maturities is provided in Note E4.

TD4:1 Assessed useful lives

	Number of years
Properties, real estate	3–20
Trains	10
Work vehicles	3–12
Company cars	3–4
Other	2–8

Carrying amounts income statement

SEKm	2020	2019
Depreciation right-of-use assets	-184	-189
Interest expenses, lease liability	-30	-46
Lease payments related to low value leases	-6	-5
Lease payments related to short-term leases	-57	-55
Variable payments	-15	-14
Terminated contracts	-	6
Total	-292	-303

Cash flow

SCA recognizes a cash flow effect arising from leases of SEK 198m (280). The cash flow effect includes payments related to contracts that include a lease and payments related to low value leases, short-term leases and variable payments.

Operating leases where SCA is lessor

The agreement signed concerning the subletting of a property has a lease period that will expire in 19 years. Rental income for the year amounts to SEK 1m. The leasing contract includes no variable payments. Future minimum lease payments for operating leases mature according to the table below:

SEKm	2020
Within 1 year	7
Between 1 and 5 years	37
Later than 5 years	90
Total	134

D5. INVENTORIES

AP ACCOUNTING PRINCIPLES

Inventories are measured at the lower of cost and net realizable value. Cost is calculated by applying the first-in, first-out (FIFO) or the weighted average cost principle. The cost of inventories and work in progress includes raw material costs, direct labor, other direct expenses and production-related overheads, based on a normal capacity utilization.

The net sales price is the calculated sales price received for normal business transactions less calculated marketing and sales costs.

Felling rights for standing timber are measured at contract prices, which on average have not exceeded the lower of net realizable value and cost.

Inventories

SEKm	2020	2019
Raw materials and consumables	1,477	2,018
Spare parts and supplies	631	693
Products in progress	84	81
Finished products	1,017	1,364
Felling rights	835	858
BS Total	4,044	5,014

Impairment of inventory amounted to SEK 8m (14) during the period.

GROUP

D6. OTHER CURRENT RECEIVABLES

AP ACCOUNTING PRINCIPLES

Derivatives

Derivatives are classified as a financial instrument, refer to Note E1. However, SCA has chosen to define derivatives used to hedge operating items as operating derivatives, which is why they are recognized on operating lines in the balance sheet.

Other current receivables

SEKm	2020	2019
VAT receivables	231	243
Accrued income	25	35
Prepaid expenses	216	168
Receivables from authorities	48	43
Derivatives	319	100
Receivables from associated companies	33	15
Other receivables	115	186
BS Total	987	790

D7. OTHER LIABILITIES

AP ACCOUNTING PRINCIPLES

Derivatives

Derivatives are classified as a financial instrument, refer to Note E1. However, SCA has chosen to define derivatives used to hedge operating items as operating derivatives, which is why they are recognized on operating lines in the balance sheet.

Other liabilities

SEKm	2020	2019
Other non-current liabilities		
Derivatives	60	54
Other non-current liabilities	75	77
BS Total	135	131
Of which items that fall due for payment later than within five years	-	-
Other current liabilities		
Derivatives	185	66
TD7:1 Accrued expenses and prepaid income	799	709
Other operating liabilities	216	269
BS Total	1,200	1,044

TD7:1 Accrued expenses and prepaid income

SEKm	2020	2019
Accrued social security costs	105	107
Accrued vacation pay liability	110	105
Other liabilities to personnel	132	113
Bonus and discounts to customers ¹⁾	65	109
Other items	387	275
Total	799	709

¹⁾ The principles for recognition of revenue from contracts with customers are described in Note B1.

D8. OTHER PROVISIONS

AP ACCOUNTING PRINCIPLES

Provisions are recognized in the consolidated balance sheet when there is a legal or informal obligation arising from events that have occurred and it is probable that payments will be required to settle the obligation. It must also be possible to reliably estimate the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation.

A provision for restructuring measures is recognized when the Group has established a detailed plan and either implementation has begun or the main features of the measures have been communicated to the parties involved. Restructuring costs include, for example, costs for plant closures, impairment of production machinery or costs for personnel reductions.

Other provisions

SEKm	Efficiency programs	Environment	Discontinuation	Other	Total
Value January 1, 2020	4	55	-	56	115
Provisions	0	28	761	1	790
Utilization	-1	-29	-3	-34	-67
Translation differences	-	-	-2	-2	-4
Value December 31, 2020	3	54	756	21	834

Provisions comprise:

BS Long-term component	90
BS Short-term component	744

Of the provisions for the period for environment, SEK 28m pertains to a liability for CO₂ emissions, which will be paid out in 2021. Provisions for the period for discontinuation pertain to non-recurrent costs arising from the decision to exit publication paper operations at the Ortviken paper mill. Just over half of total provisions for the discontinuation pertain to personnel costs, less than 20% decommissioning costs at the Ortviken paper mill and the remainder are other non-recurring costs related to the discontinuation. Other provisions consist mainly of provisions for pensions and provision for pension tax linked to capital insurance. Other provisions utilized in 2020 relate, for the most part, to the dissolution of the provisions for pensions and closure of the wood processing plant in France.

D9. TRADE PAYABLES

SCA's trade payables amounted to **BS** SEK 3,319m (3,336) on December 31, 2020. SEK 1,549m (1,683) of the total trade payable was related to standing forest, referred to as standing forest timber for sale. The seller of standing timber has the right to almost immediate payment once the timber is harvested, though a payment plan can be used to spread payments over a longer period.

E. CAPITAL STRUCTURE AND FINANCING

E1. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL

AP ACCOUNTING PRINCIPLES

Financial instruments recognized in the balance sheet include cash and cash equivalents, securities, other financial receivables, trade receivables, trade payables, loans, derivatives and equity instruments.

Current investments and derivatives are recognized on the trade date. Equity instruments and loans are recognized on the settlement date. Trade receivables and trade payables are recognized in the balance sheet once the invoice has been sent or received, respectively.

Financial assets are initially recognized at cost including transaction costs relating to the acquisition. Financial assets measured at fair value do not include transaction costs. Financial assets are recognized in the balance sheet until the rights in the agreement have been realized or the company no longer has the rights to the asset. Reviews are continually conducted using the expected loss model of financial assets measured at amortized cost to assess the need of credit loss provisions.

Financial liabilities are recognized at amortized cost, except for derivatives that are measured at fair value using hedge accounting, refer to Note E4. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments.

For disclosures in note relating to interest-bearing loans and investments, current market interest rates are taken into account in fair value calculations.

SCA recognizes financial instruments with a remaining maturity of less than 12 months as current assets and liabilities. Financial instruments that exceed 12 months, and where the company has the unconditional right to postpone settlement of the asset and liability for at least 12 months, are recognized as non-current assets and liabilities.

Classification and subsequent recognition

On the acquisition date, SCA classifies financial instruments into the following categories:

Financial assets measured at fair value in the income statement

Assets are classified in this category when the intention is to sell in the short term and, if such is the case, they are recognized continuously at fair value in the income statement. This category also includes derivatives with positive market values provided that they are not recognized using hedge accounting.

Only financial derivatives were classified in this category during the year.

Financial liabilities measured at fair value in the income statement

This category includes derivatives with negative fair values that are not used for hedge accounting and financial liabilities held for trading. Liabilities in this category are continuously measured at fair value and changes in value are recognized in the income statement.

Financial assets measured at fair value through other comprehensive income

This category includes assets that are available for sale or that have not been classified in any of the other categories. These assets are measured at fair value through other comprehensive income less any impairment.

Financial assets measured at amortized cost

This category comprises loan receivables that have determinable payments and are not quoted in an active market, as well as trade receivables. Receivables arise when cash and cash equivalents, goods or services are made available directly to another party without any intention of conducting trading in the receivables. Assets in this category are measured at amortized cost less a potential provision for impairment.

Financial liabilities measured at amortized cost

This category includes financial liabilities that are not held for trading. These are recognized initially at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method. The effective interest method means that the estimated change in value (effective interest) is recognized as interest income or interest expense in the income statement.

Derivatives used for hedge accounting

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized in accordance with the accounting principles stated in Note E6.

Measurement levels

Level 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.

Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as currency forward contracts

or interest rate swaps. Fair value for currency options is determined using the Black-Scholes option pricing model.

Level 3: Inputs for the asset or liability not fully based on observable market data.



GROUP

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2020	2019
Financial assets measured at fair value in the income statement				
Non-current financial assets	E2	2	67	53
Derivatives – Current financial assets	E2	2	0	3
Derivatives – Other current receivables	D6	2	101	23
Total			168	79
Financial liabilities measured at fair value in the income statement				
Derivatives – Current financial liabilities	E4	2	3	1
Derivatives – Other current liabilities	D7	2	89	15
Derivatives – Other non-current liabilities	D7	2	17	-
Total			109	16
Financial assets measured at fair value through other comprehensive income				
Equity instruments	E2	3	14	14
Total			14	14
Financial assets measured at amortized cost				
Trade receivables	E3	-	1,964	2,313
Cash and cash equivalents	E2	-	1,273	454
Total			3,237	2,767
Financial liabilities measured at amortized cost				
Non-current financial liabilities excluding leases	E4	-	7,866	5,190
Non-current financial liabilities leases	D4, E4	-	603	698
Current financial liabilities excluding leases	E4	-	1,185	3,574
Current financial liabilities leases	D4, E4	-	148	156
Trade payables	D9	-	3,319	3,336
Total			13,121	12,954
Derivatives used for hedge accounting				
Non-current financial assets	E2	2	-	0
Other non-current assets	-	2	3	2
Other current receivables	D6	2	218	78
Total			221	80
Non-current financial liabilities	E4	2	19	-
Other non-current liabilities	D7	2	43	54
Other current liabilities	D7	2	96	52
Total			158	106

Financial instruments are measured at fair value, with the exception of loan and trade receivables and financial liabilities measured at amortized cost. The measurement basis for lease liabilities is presented in Note D4. According to SCA's assessment, the fair value essentially corresponds to the carrying amount, with the exception of non-current liabilities, of which the fair value is presented in Note E4.

Financial instruments in other notes to the balance sheet

SEKm	Note	2020		2019	
		Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets					
Financial assets, cash and cash equivalents	E2	1,354	-	524	3
Other non-current assets		3	3	2	2
Trade receivables	E3	1,964	-	2,313	-
Other current receivables	D6	319	319	100	100
Total		3,640	322	2,939	105
Liabilities					
Financial liabilities excl. leases	E4	9,073	20	8,764	-
Other non-current liabilities	D7	60	60	54	54
Lease liabilities	D4, E4	751	-	854	-
Trade payables	D9	3,319	-	3,336	-
Other current liabilities	D7	185	185	67	67
Total		13,388	265	13,075	121

GROUP

E2. FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS
AP ACCOUNTING PRINCIPLES

Cash and cash equivalents are defined as cash and bank balances as well as short-term investments with a maturity of less than three months from the acquisition date. Loan receivables are recognized at amortized cost. Equity instruments comprise shares measured at fair value. These shares are not held for trading, which is why changes in value in accordance with IFRS 9 Financial Instruments are recognized in equity through other comprehensive income. The changes in value related to exchange gains/losses are recognized in the income statement.

Financial assets, cash and cash equivalents

SEKm	Carrying amount	
	2020	2019
Non-current financial assets		
TE2:1 Equity instruments	14	14
Derivatives	-	0
Capital investments, other	67	53
BS Total	81	67
Current financial assets		
Derivatives	0	3
BS Total	0	3
Cash and cash equivalents		
Cash and bank balances	1,273	454
BS Total	1,273	454
Total financial assets, cash and cash equivalents	1,354	524

Of the Group's cash and cash equivalents, SEK 0m (0) is not fully available for use by the Group.

TE2:1 Equity instruments

SEKm	2020	2019
Value January 1	14	19
Remeasurement taken to equity, net	-	-5
Value December 31	14	14

Distribution of equity instruments

SEKm	2020	2019
Shares – Investa Företagskapital AB	-	-
Shares – Shore Link AB	3	3
Shares – Sundsvalls Hamn AB	4	4
Shares – Bioenergi i Luleå AB	3	3
Other	4	4
Total	14	14

The holding in Investa Företagskapital AB was impaired in its entirety in 2019 as the company was liquidated. The impairment was recognized in other comprehensive income.

E3. TRADE RECEIVABLES
AP ACCOUNTING PRINCIPLES

Trade receivables belong to the category of financial assets measured at amortized cost, since the purpose of the holding is to obtain contractual cash flows. Impairment of financial assets must be based on expected credit losses for the remaining term of the financial asset. In compliance with IFRS 9 Financial Instruments, SCA applies a simplified impairment model for trade receivables, whereby the expected credit loss is recognized for the estimated remaining lifetime of the receivable. In the past, SCA has not incurred significant customer losses and these losses have not exhibited significantly different loss patterns for various customer segments or economic cycles, which is why a matrix is used to measure expected customer losses. The provision for doubtful trade receivables is based on an individual assessment of overdue trade receivables for each customer. The basis for the assessment of credit risk in the part of the customer portfolio that is not assessed individually is past customer losses, based on average loss frequency. The average loss frequency is adjusted as necessary to take into account changes in credit risk. The total provision for expected customer losses, in addition to the accounts receivable assessed individually, amounted to SEK -3m (-3) at the end of 2020. SCA has signed credit insurance in order to reduce its credit risk. The trade receivables covered by the credit insurance comprise 31% (23) of total trade receivables on December 31, 2020. Any impairment of trade receivables affects SCA's other operating expenses. Translation differences on trade receivables are recognized on the line other operating income and amount to SEK -22m (-5). Translation differences include hedges in currency derivatives.

SCA's trade receivables are generally current and are not discounted.

Trade receivables

SEKm	2020	2019
Trade receivables, gross	2,022	2,392
Provision to reserves for doubtful trade receivables	-58	-79
BS TE3:1 Total	1,964	2,313

TE3:1 Analysis of credit risk exposure in trade receivables

SEKm	2020	2019
Trade receivables neither overdue nor impaired	1,736	1,927
Trade receivables overdue but not impaired		
<30 days	210	334
30-90 days	6	17
> 90 days	12	35
Total trade receivables overdue but not impaired	228	386
Total	1,964	2,313

SCA's customer structure is dispersed, with customers in many different areas of business. In 2020, SCA's ten largest customers accounted for 31% (32) of the Group's sales. More information is available in the section on credit risks on page 70.

GROUP

Provision to reserves for doubtful trade receivables

SEKm	2020	2019
Value January 1	-79	-48
Individual provision for possible credit losses	-13	-39
Provision for anticipated losses, not overdue trade receivables	0	0
Provision for anticipated losses, overdue trade receivables	0	0
Confirmed credit losses	21	1
Decrease due to reversal of provisions for possible credit losses	13	7
Value December 31	-58	-79

The expense for the period for doubtful trade receivables amounted to SEK 19m (28).

E4. FINANCIAL LIABILITIES

AP ACCOUNTING PRINCIPLES

The main principle for recognition of SCA's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method. Transaction costs are accrued over the term of the loan.

Liabilities that fall due after one year or later are classified as non-current liabilities and others are classified as current liabilities.

Financial liabilities

SEKm	2020	2019
Non-current financial liabilities		
Bond issues	2,500	1,200
Derivatives	19	-
Other non-current loans with maturities > 1 year < 5 years	2,000	2,419
Lease liabilities with maturities > 1 year < 5 years	205	127
Other non-current loans with maturities > 5 years	3,366	1,571
Lease liabilities with maturities > 5 year	398	571
BS Total	8,488	5,888
Current financial liabilities		
Bond issues	1,175	1,000
Amortization within one year	-	-
Derivatives	3	1
Loans with maturities of less than 1 year	-	2,562
Lease liabilities with maturities of less than 1 year	148	156
Accrued financial expenses	10	11
BS Total	1,336	3,730
Total financial liabilities	9,824	9,618
Fair value of financial liabilities ¹⁾	9,069	8,749

¹⁾ The fair value of financial liabilities are recognized excluding lease liabilities.

Borrowing

Bond loans and bilateral loans

SCA has a Medium Term Note (MTN) program with an amount of SEK 8,000m (8,000) for issuing bonds in the capital market. As of December 31, 2020, a nominal SEK 3,700m (2,200) was outstanding with an average duration of 3.4 years (1.2). In addition to the bond loans, SCA has several long bilateral loans with strong and well-established banks at a nominal amount of SEK 5,346m (3,977).

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm
Bond – floating rate	2021	550	555
Bond – fixed rate	2021	650	646
Bond – fixed rate	2025	299	300
Bond – floating rate	2025	1,000	1,005
Bond – fixed rate	2027	1,191	1,209
Total		3,690	3,715

Bilateral loans	Carrying amount, SEKm	Fair value, SEKm
Bilateral loans with maturities >1 year <5 years	1,980	1,986
Bilateral loans with maturities >5 years	3,366	3,372
Total	5,346	5,358

Commercial paper program

SCA has a Swedish commercial paper program to the amount of SEK 5,000m (5,000), which can be utilized for short-term financing. At year-end, SEK 0m (2,500) was outstanding.

Program size	Issued SEKm
Commercial paper SEK 5,000m	-
Total	-

GROUP

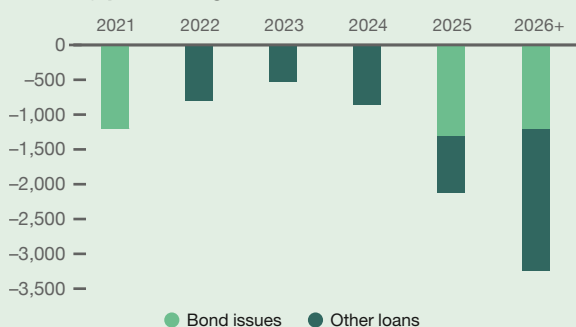
Credit facilities

Program size	Nominal SEKm	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm	Sustainability linked
Bilateral credit facilities	2,259	2023	2,259	341	1,918	-
Syndicated credit facilities	5,000	2024	5,000	-	5,000	Yes
Syndicated credit facilities	2,000	2025	2,000	-	2,000	Yes
Total	9,259		9,259	341	8,918	

SCA has syndicated bank facilities to limit the refinancing risk and maintain a liquidity reserve. During 2020, the earlier credit facilities were supplemented with one further facility to the amount of SEK 2,000m. Additionally, SCA has a bilateral export credit facility based on the purchasing agreement for the paper machine in Obbola, of which SEK 1,918m is unutilized.

The syndicated facilities were unutilized on December 31, 2020. During 2020, a first step was taken to integrate financing into the Group's sustainability agenda. SCA's existing credit facilities with the bank group are now linked to two of the Group's key sustainability targets related to climate benefit and forest retention, read more about these targets on pages 50–53.

Maturity profile of gross debt



After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, net debt amounted to SEK 7,671m (8,597) at December 31, 2020, refer to Note A2. For a description of the methods used by SCA to manage its refinancing risk, refer to page 70.

Changes in liabilities from financial activities

SEKm	OB 2020	Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2020
Current financial liabilities (excluding lease liabilities)	3,574	-3,588	1,199	-	-	1,185
Non-current financial liabilities (excluding lease liabilities)	5,190	3,875	-1,199	-	-	7,866
Lease liabilities	854	-197	-	29	65	751
Derivatives	0	-	-	22	-	22
Total liabilities from financing activities	9,618	90	0	51	65	9,824

SEKm	OB 2019	Opening liability IFRS 16	Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2019
Current financial liabilities (excluding lease liabilities)	2,562	-	-50	1,062	-	-	3,574
Non-current financial liabilities (excluding lease liabilities)	5,263	-	989	-1,062	-	-	5,190
Lease liabilities	0	1,211	-156	0	47	-248	854
Derivatives	0	-	-	-	0	-	0
Total liabilities from financing activities	7,825	1,211	783	0	47	-248	9,618

GROUP

E5. LIQUIDITY RISK

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), and negative cash flows from gross settled derivatives. For a description of how SCA manages its liquidity risk, refer to page 70.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2020			
Loans including interest	1,269	3,603	4,575
Lease liability including interest	185	246	573
Net settled derivatives	0	-7	-11
Energy derivatives	101	19	-
Trade payables	1,830	1,489	-
Total	3,385	5,350	5,137
Gross settled derivatives ¹⁾	5,638	622	-

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2019			
Loans including interest	3,631	3,764	1,583
Lease liability including interest	188	240	695
Net settled derivatives	0	0	-
Energy derivatives	27	2	-
Trade payables	1,718	1,618	-
Total	5,564	5,624	2,278
Gross settled derivatives ¹⁾	6,388	1,381	-

¹⁾ The gross settled derivatives have, largely, corresponding positive cash flows and therefore in SCA's opinion do not constitute any real liquidity risk.

E6. DERIVATIVES AND HEDGE ACCOUNTING

AP ACCOUNTING PRINCIPLES

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. When using hedge accounting, the relationship between the hedge instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow. The ineffective portion is recognized directly in the income statement.

Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedging are recognized in equity under other comprehensive income and reversed to the income statement at the rate at which the hedged cash flow affects the income statement. If a hedge relationship is interrupted and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. For hedges of non-financial assets and liabilities, the result of the hedge is recognized at historical cost without a reclassification adjustment and therefore does not affect other comprehensive income. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to the income statement. Cash flow hedges relating to energy affect the energy costs, that is, cost of goods sold. Transaction exposure's cash flow hedges affect consolidated net sales and expenses. Cash flow hedges relating to interest expenses affect net financial items.

When option contracts are used to hedge currency flows, the Group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the options are recognized within other comprehensive income in the hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognized within other comprehensive income in the costs of hedging reserve within equity.

Financial hedges

When SCA conducts financial hedges and the transactions do not meet requirements for hedge accounting according to IFRS 9, changes in fair value of the hedging instrument are recognized directly in the income statement.

Outstanding derivatives

SEKm	Currency	Interest	Energy	Total
2020				
Nominal	5,813	2,450	216	8,479
Assets	314	-	8	322
Liability	126	19	120	265
2019				
Nominal	7,625	2,450	606	10,681
Assets	65	0	40	105
Liability	92	-	29	121

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2020¹⁾		
Gross amount	324	267
Offsettable amount	-2	-2
Net amount recognized in the balance sheet	322	265
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-207	-207
Net after offsetting in accordance with ISDA agreements	115	58
December 31, 2019¹⁾		
Gross amount	128	144
Offsettable amount	-23	-23
Net amount recognized in the balance sheet	105	121
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-69	-69
Net after offsetting in accordance with ISDA agreements	36	52

¹⁾ Outstanding derivatives gross without consideration of the right of set-off in accordance with ISDA agreements.

²⁾ ISDA entails framework agreements for financial transactions.

Balance sheet

SCA uses financial derivatives to manage risks in currency, interest rate and energy price. For a description of how SCA manages these risks, refer to the Board of Directors' Report. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2020. For more information relating to derivatives in the balance sheet, refer to Note E1.

Income statement

Hedges pertaining to transaction exposure had an impact of SEK 170m (-374) on operating profit for the period. The net market value amounted to SEK 217m (41) on the balance sheet date. Currency hedges increased the cost of non-current assets by SEK 19m (8). The net market value amounted to SEK -125m (-68) on the balance sheet date. The net market value for interest rate risk hedges amounted to SEK -18m (0). Interest rate derivatives impacted net interest items in an amount of SEK -5m (-5).

GROUP

Energy derivatives had an impact of SEK –351m (131) on operating profit for the period. During the second half of 2020, all electricity derivatives used to hedge electricity purchases for publication paper operations at Ortviken were terminated. The total impact on earnings was SEK –86m. Energy derivatives had an outstanding market value of SEK –14m (12) at year-end. For further information relating to net financial items, refer to Note E7.

Sensitivity analysis

SCA has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2020 using assumptions on market movements that are regarded as reasonably possible in one year's time. If the Swedish krona is unilaterally weakened/strengthened by 5% against all currencies, outstanding financial hedges, trade payables and trade receivables would decrease/increase profit before tax by SEK 176m (231). Financial hedges with maturities of more than one year would increase/decrease equity by SEK 3m (7).

If the Swedish krona is unilaterally weakened/strengthened by 5%, forward cover relating to the cost of non-current assets would increase/decrease equity by SEK 18m (15). For hedge options relating to the cost of non-current assets, a 5% increase in the strength of the krona would entail a decrease in equity of SEK 50m and, conversely, a 5% weaker krona would increase equity by SEK 51m.

If energy prices increase/decrease by 20%, outstanding financial hedges relating to natural gas and electricity, all other things being equal, would decrease/increase energy costs for the period by SEK 12m (78). In addition to the earnings impact, equity would increase/decrease by SEK 5m (36). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

Outstanding derivatives with hedge accounting¹⁾

SEKm	Assets	Liability	Net	Tax	Hedge reserve after tax
2020					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	2	-16	-14	3	-11
Currency risk	213	-122	91	-19	72
Interest rate risk	-	-19	-19	4	-15
Total	215	-157	58	-12	46
2019					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	29	-27	2	-	2
Currency risk	50	-78	-28	5	-23
Interest rate risk	0	-	-	-	-
Total	79	-105	-26	5	-21

¹⁾ Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives on page 117.

The results from fair value hedges are recognized directly in the income statement.

Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mature mainly in 2021 and during the first quarter of 2022. With unchanged exchange rates, profit after tax will be affected in an amount of SEK 173m (33). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until September 2024. With unchanged exchange rates, the cost of non-current assets will decrease by SEK 100m (72) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2021 and 2022. With unchanged prices, the Group's profit after tax will be affected negatively in an amount of SEK 12m in 2021 and SEK 2m in 2022.

E7. FINANCIAL INCOME AND EXPENSES

Financial income and expenses¹⁾

SEKm	2020	2019
Results from shares and participations in other companies		
Dividend	-	8
Interest income and similar profit items		
Interest income, investments	13	12
Other financial income	23	34
IS Total financial income	36	54
Interest expenses and similar loss items		
Interest expenses, borrowing ²⁾	-75	-66
Interest expenses, derivatives	-24	-34
Interest expenses, leases	-30	-46
Other financial expenses	-24	-34
IS Total financial expenses	-153	-180
Total	-117	-126

¹⁾ Other financial income and expenses include an exchange difference of SEK –1m (0).
²⁾ Interest expenses, borrowing includes capitalized interest of SEK 21m (1).

Sensitivity analysis

If interest rate levels had been 1 percentage point higher, with unchanged fixed-interest terms and net debt, interest expenses for the period would have been SEK 44m (49) higher. A sensitivity analysis has been performed on the risk to which SCA was exposed at December 31, 2020 using assumptions on market movements that are regarded as reasonable in one year's time. For a description of how SCA manages its interest rate risk, refer to page 70.

GROUP

E8. EQUITY

AP ACCOUNTING PRINCIPLES

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of SCA's own shares reduces retained earnings in equity in the Parent Company and the

portion of consolidated equity that pertains to owners of the Parent. When own shares are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent.

Equity totaled SEK 72,163m (68,510) at December 31, 2020. The following tables show the distribution and profit for the period.

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2020	2,350	6,830	14,693	44,637	68,510	0	68,510
IS Profit for the period recognized in the income statement	-	-	-	767	767	-	767
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change in value in land assets	-	-	3,314	-	3,314	-	3,314
Result from equity instruments measured at fair value	-	-	-	-	-	-	-
Remeasurement of defined benefit pension plans ²⁾	-	-	-	327	327	-	327
Income tax attributable to components in other comprehensive income	-	-	-679	-67	-746	-	-746
Total	-	-	2,635	260	2,895	-	2,895
<i>Items that have been or can be transferred to profit for the period</i>							
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	-	-	-135	-	566	-	566
Transferred to the income statement for the period ³⁾	-	-	186	-	-515	-	-515
Hedging cost	-	-	14	-	14	-	14
Translation differences in foreign operations	-	-	-75	-	-75	-	-75
Tax on items recognized directly in/transferred from equity ⁴⁾	-	-	-13	-	-13	-	-13
Other comprehensive income for the period, net after tax	-	-	2,612	260	2,872	-	2,872
OCI Comprehensive income for the period	-	-	2,612	1,027	3,639	-	3,639
Cash flow hedge, transferred to cost of hedged investments	-	-	19	-	19	-	19
Tax on cash flow hedge, transferred to cost	-	-	-4	-	-4	-	-4
Acquisition of non-controlling interests	-	-	-	-	-	0	0
Remeasurement effect upon acquisition of non-controlling interests	-	-	-	-1	-1	-	-1
Dividend, SEK per share ⁵⁾	-	-	-	-	-	-	-
BS Value December 31, 2020	2,350	6,830	17,320	45,663	72,163	-	72,163

¹⁾ Revaluation reserve, hedge reserve, hedging cost, equity instrument and translation reserve are included in the reserves line in the balance sheet, see specification on page 121.

²⁾ Including special payroll tax.

³⁾ In connection with the decision to discontinue operations at Ortviken, SEK 86m pertaining to electricity derivatives was transferred to the income statement.

⁴⁾ For a specification of income tax attributable to components in other comprehensive income, see page 121.

⁵⁾ SCA did not pay any dividend in 2020. The dividend in 2019 amounted to SEK 1.75 per share and pertains to the owners of the Parent. For the 2020 fiscal year, the Board has decided to propose a dividend of SEK 2.00 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC13.



GROUP

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2019	2,350	6,830	-113	29,995	39,062	-	39,062
IS Profit for the period recognized in the income statement	-	-	-	15,522	15,522	-	15,522
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change in value in land assets	-	-	18,893	-	18,893	-	18,893
Result from equity instruments measured at fair value	-	-	-	-2	-2	-	-2
Remeasurement of defined benefit pension plans ²⁾	-	-	-	444	444	-	444
Income tax attributable to components in other comprehensive income	-	-	-3,892	-92	-3,984	-	-3,984
Total	-	-	15,001	350	15,351	-	15,351
<i>Items that have been or can be transferred to profit for the period</i>							
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	-	-	-489	-	-489	-	-489
Transferred to the income statement for the period	-	-	209	-	209	-	209
Hedging cost	-	-	23	-	23	-	23
Translation differences in foreign operations	-	-	15	-	15	-	15
Tax on items recognized directly in/transferred from equity ³⁾	-	-	53	-	53	-	53
Other comprehensive income for the period, net after tax	-	-	14,812	350	15,162	-	15,162
OCI Comprehensive income for the period	-	-	14,812	15,872	30,684	-	30,684
Cash flow hedge, transferred to cost of hedged investments	-	-	-8	-	-8	-	-8
Tax on cash flow hedge, transferred to cost	-	-	2	-	2	-	2
Acquisition of non-controlling interests	-	-	-	-	-	0	0
Remeasurement effect upon acquisition of non-controlling interests	-	-	-	-1	-1	-	-1
Dividend, SEK 1.75 per share ⁴⁾	-	-	-	-1,229	-1,229	-	-1,229
BS Value December 31, 2019	2,350	6,830	14,693	44,637	68,510	0	68,510

¹⁾ Revaluation reserve, hedge reserve, hedging cost, equity instrument and translation reserve are included in the reserves line in the balance sheet, see specification on page 121.

²⁾ Including special payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see page 121.

⁴⁾ Dividend SEK 1.75 (1.50) per share pertains to owners of the Parent. The Board of Directors had proposed to the Annual General Meeting a dividend of SEK 2.00 per share for the 2019 fiscal year. The Annual General Meeting voted, however, not to pay any dividend due to the uncertainty surrounding Covid-19.

For further information regarding equity, see Parent Company Note PC13.

GROUP

Equity, specification of reserves

SEKm	Revaluation reserve ¹⁾		Hedge reserve ²⁾		Translation reserve	
	2020	2019	2020	2019	2020	2019
Value January 1	15,001	-	-21	189	-287	-302
Revaluation of land assets	3,314	18,893	-	-	-	-
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity	-	-	-135	-489	-	-
Transferred to the income statement for the period	-	-	186	209	-	-
Hedging cost	-	-	14	23	-	-
Translation differences in foreign operations ³⁾	-	-	-	-	-75	15
Tax on items recognized directly in/transferred from equity	-679	-3,892	-13	53	-	-
Other comprehensive income for the period, net after tax	2,635	15,001	52	-204	-75	15
Cash flow hedge, transferred to cost of hedged investments	-	-	19	-8	-	-
Tax on cash flow hedge, transferred to cost	-	-	-4	2	-	-
Value December 31	17,636	15,001	46	-21	-362	-287

¹⁾ The change in revaluation reserve in the year concerns the revaluation of land assets. The revaluation reserve in 2019 concerns the effect of the change of accounting principle to the revaluation model for land assets.

²⁾ See also Note E6 for details of when profit or loss is expected to be recognized.

³⁾ Transfer of realized exchange gains to divested companies to the income statement is included in the amount of SEK 0m (0).

Specification of income tax attributable to other comprehensive income for the period

SEKm	2020			2019		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurement of defined benefit pension plans	327	-67	260	444	-92	352
Cash flow hedges	51	-13	38	-280	53	-227
Hedging cost	14	-	14	23	-	23
Translation differences in foreign operations	-75	-	-75	15	-	15
Revaluation of land assets	3,314	-679	2,635	18,893	-3,892	15,001
Result from equity instruments measured at fair value	-	-	-	-2	-	-2
Other comprehensive income for the period	3,631	-759	2,872	19,093	-3,931	15,162

At December 31, 2020, the debt/equity ratio amounted to 11% (13). Change in liabilities and equity is described on page 64 under Financial position. SCA aims to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt shall take into account the target to maintain a credit rating corresponding to investment grade rating. SCA has a credit rating for long-term debt of BBB- from Standard & Poor's. SCA's financial risk management is described in the Risk and risk management section on page 70.

F. GROUP STRUCTURE

F1. SUBSIDIARIES

AP ACCOUNTING PRINCIPLES

Subsidiaries

The companies over which the SCA Group has a controlling influence are consolidated as subsidiaries. Controlling influence means that SCA has sufficient influence to control the activities of the subsidiary, has the right to its returns and has control over its exposure, and is able to impact the return of the company through its influence. Most of the Group's subsidiaries are wholly owned.

Gällö Timber AB is 50% owned by SCA and 50% owned by AB Persson Invest. The wholly owned subsidiary Gällö Skog AB merged with Gällö Timber AB in 2020. SCA is considered to have a controlling influence over Gällö Timber AB, despite the fact that SCA does not have a majority of the votes in the company. SCA is deemed to have a controlling influence since it has control over activities with an impact on the Gällö Timber AB's return. Gällö Timber AB sells solid-wood products and sales totaled SEK 864m (628). SEK 10m (15) was paid in

dividends by the company. The SCA Group consolidates 100% of Gällö Timber AB.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the interest. In connection with acquisitions of less than 100%, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Subsequent acquisitions up to 100% and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as an equity transaction.

List of major subsidiaries

The Group's participations in major subsidiaries at December 31, 2020. The table below shows wholly owned subsidiaries and subsidiaries with significant interests and controlling influence, with external sales in excess of SEK 100m in 2020.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2020	Share of equity at December 31, 2019
SCA Graphic Sundsvall AB	556093-6733	Sundsvall, Sweden	100	100
SCA Munksund AB	556237-4859	Piteå, Sweden	100	100
SCA Obbola AB	556147-1003	Umeå, Sweden	100	100
SCA Wood AB	556047-8512	Sundsvall, Sweden	100	100
SCA Wood Hong Kong Ltd	1134245	Hong Kong, China	100	100
SCA Wood UK Ltd	2541468	Stoke-on-Trent, UK	-	100
SCA Wood Scandinavia AB	556302-0667	Sundsvall, Sweden	100	100
Gällö Timber AB	556801-1786	Bräcke, Sweden	50	50

F2. ASSOCIATED COMPANIES

AP ACCOUNTING PRINCIPLES

Associated companies

Associated companies are companies in which the Group exercises a significant influence without the partly owned company being a subsidiary. Normally, this means that the Group owns between 20 and 50% of the votes. Accounting for associated companies is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for subsidiaries and the carrying amount for associated companies includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associated companies after the acquisition is recognized on the line result from participations in associated companies in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective associated company.

GROUP

Holdings in associated companies

SEKm	2020	2019
Value January 1	367	29
Investments	-	352
Net change in associated companies ¹⁾	20	-14
Translation differences	-9	-
BS Value December 31	378	367

¹⁾ Net change for the period includes the Group's share of the profit after tax of associated companies.

SCA Wood France S.A.S. and the French company Groupe ISB merged their operations in wood processing and the distribution of wood products in France during the first quarter of 2019. SCA's shareholding in the combined company Florencia S.A.S. amounts to 38.5%.

Company name	Corp. Reg. No.	Domicile	Participation, %		Carrying amount, SEKm	
			2020	2019	2020	2019
Florencia S.A.S.	809 910 177	Rennes, France	38.5	38.5	358	347
Other					20	20
Total					378	367

F3. CORPORATE ACQUISITIONS AND DIVESTMENTS

AP ACCOUNTING PRINCIPLES

Acquisition of subsidiaries

SCA applies IFRS 3 Business Combinations in connection with acquisitions. A corporate acquisition can be classified as a business combination or an asset acquisition. If the acquired assets are not part of a business, the transaction is recognized as an asset acquisition. A corporate acquisition with the primary purpose of acquiring the company's properties and where any of the company's management organization and administration are of secondary importance for the acquisition, is classified as an asset acquisition. For an asset acquisition, no deferred tax is recognized attributable to the acquisition.

In business combinations, acquired assets and assumed liabilities are identified and classified at fair value on the date of acquisition (also known as an acquisition analysis). The date of acquisition is set at when controlling influence is obtained over the acquired company. The acquisition analysis also includes the identification of whether there are any assets that are intangible in nature, such as trademarks, patents, customer contracts or similar assets that were not recognized in the acquired unit. If the cost is higher than the net value of the acquired assets, assumed liabilities and identified intangible assets, the difference is recognized as goodwill. Any surplus value on tangible fixed assets is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer contracts are amortized over their estimated useful lives.

If the transferred consideration is contingent on future events, it is measured at fair value. Any change in value is recognized in profit for the period.

Transaction costs in conjunction with business combinations are not included in cost, but rather expensed directly.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

Non-controlling interests

Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill).

In step acquisitions in which a controlling influence is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in the income statement. If the controlling influence is lost upon the divestment of an operation, the result is recognized in the income statement. The portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the remeasurement effect recognized in the income statement.

Acquisitions in which a controlling influence is achieved are recognized as an equity transaction, meaning a transfer between equity attributable to owners of the Parent and non-controlling interests. The same applies for divestments that take place without the loss of a controlling influence.

Acquisitions

In 2020, approximately 13,200 hectares of forest land was acquired in Latvia through five transactions for a purchase consideration of about SEK 450m on a debt-free basis. The acquisitions were recognized as asset acquisitions. The corresponding figure for 2019 is SEK 950m, when approximately 30,000 hectares of forest land was acquired in Estonia and Latvia.

Divestments

The subsidiary SCA Wood UK Ltd was divested in 2020. The divestment resulted in a capital loss of approximately SEK 90m. The subsidiary SCA Logistics B.V. (Rotterdam) was divested in 2019.



G. OTHER

G1. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

AP ACCOUNTING PRINCIPLES

Non-current assets held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassification. The gain is limited to the amount equivalent to previously made impairment charges. Gains and losses recognized on remeasurement and divestment are recognized in the income statement for the period. In 2020, there are no non-current assets held for sale.

Discontinued operations

When an independent business segment or a significant operation within a geographic area is divested, it is classified as a discontinued operation. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation.

Discontinued operations

In 2019, SCA divested Logistics B.V. The transaction had an impact on operating profit of SEK 78m. The cash flow effect was SEK 370m. The transaction reduced SCA's net debt by SEK 660m (including a decrease in lease liability).

The divested operation was recognized in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

G2. CONTINGENT LIABILITIES, PLEDGED ASSETS AND COMMITMENTS

AP ACCOUNTING PRINCIPLES

A contingent liability is recognized when there is a potential or actual obligation arising from events that have occurred that is not recognized as a liability or provision, either because it is improbable that an

outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

Contingent liabilities

SEKm	2020	2019
Guarantees for:		
associated companies	5	5
customers and others	28	31
Other contingent liabilities	19	18
Total	52	54

In 2007, SCA entered into a sale and leaseback transaction with a European bank relating to the soda recovery boiler at the kraftliner plant in Obbola, Sweden. The term of the contract is 25 years and SCA has a right to terminate the transaction in 2023 without any financial consequences. SCA has retained all risks and rewards associated with ownership. SCA has therefore continued to recognize the soda recovery boiler as a non-current asset in the balance sheet. The present value of SCA's future rental amounts was SEK 671m. A corresponding amount was invested in a security with an A rating issued by the counterparty and deposited in a Swedish bank assigned to handle rental payments during the term of the contract. Should the counterparty's rating fall below BBB-, SCA is entitled, without incurring any financial consequences, to terminate the transaction in advance. Should SCA, as a result of extraordinary events (of a force majeure nature), choose not to fulfill, or cannot fulfill leasing contracts, SCA is liable to compensate the counterparty for any economic loss that may be incurred as a result. Compensation varies during the duration of the contract and can amount to a maximum of 11% of the transaction amount. SCA has the facility at its disposal without operational restrictions. The lease and depositary arrangement have been recognized net in SCA's balance sheet since 2007.

Pledged assets

SEKm	2020	2019
Chattel mortgages	-	20
Total	-	20

Liabilities for which some of these assets were pledged as collateral amounted to SEK 0m (0). The holding of chattel mortgages was terminated in 2020.

Commitments

SCA has a decided investment in Obbola totaling SEK 7.5bn over a five-year period. As of December 31, 2020, SEK 5.2bn remained, of which SEK 3.0bn was a contracted commitment. The commitment in its entirety refers to fixed assets.

G3. TRANSACTIONS WITH RELATED PARTIES

To the extent that transactions with related parties took place, these were based on generally accepted commercial terms and conditions and pricing in the industry, and were entered into on standard commercial conditions.

For information regarding salaries and other remuneration, costs and obligations for pensions and similar benefits for the Board, President and CEO and other senior executives, refer to Notes C3–C5.

Otherwise, no transactions took place between SCA and related parties.

G4. EVENTS AFTER THE END OF REPORTING PERIOD

In January 2021 SCA signed a contract with an agent for the potential sale of the three paper machines in Ortviken, during 2021 and 2022, following the cessation of production on these machines during the first quarter of 2021. The contract contains no financial guarantees and the fulfillment of the contract is highly uncertain. The contract is therefore assessed to have no material effect, positive or negative, on the recorded values as at 31st December 2020 connected to the discontinuation of the publication paper business.



PARENT COMPANY

Parent Company income statement **PIS**

SEKm	Note	2020	2019
Operating income			
Other operating income		273	235
Total income		273	235
Operating expenses			
Other operating expenses	PC1	-235	-160
Personnel costs	PC2	-102	-91
Depreciation		-89	-86
Total operating expenses		-426	-337
Operating profit		-153	-102
Financial items			
	PC11		
Result from participations in Group companies		-	-
Interest income and similar profit items		164	192
Interest expenses and similar loss items		-131	-94
Total financial items		33	98
Profit after financial items		-120	-4
Appropriations	PC5	683	1,793
Profit before tax		563	1,789
Taxes	PC6	-133	-390
Profit for the period		430	1,399

Parent Company statement of comprehensive income **POCI**

SEKm	2020	2019
Profit for the period	430	1,399
Other comprehensive income	-	-
Total comprehensive income	430	1,399



PARENT COMPANY

Parent Company statement of change in equity **PEQ**

SEKm	Share capital ¹⁾	Revaluation reserve	Statutory reserve	Retained earnings and profit for the period ²⁾	Total equity
Value January 1, 2020	2,350	1,740	7,283	8,551	19,924
Dividend	-	-	-	-	-
Profit for the period	-	-	-	430	430
Value December 31, 2020	2,350	1,740	7,283	8,981	20,354
Value January 1, 2019	2,350	1,740	7,283	8,381	19,754
Dividend, SEK 1.75 per share	-	-	-	-1,229	-1,229
Profit for the period	-	-	-	1,399	1,399
Value December 31, 2019	2,350	1,740	7,283	8,551	19,924

¹⁾ Refer also to Note PC13.

²⁾ No dividend was paid for the 2019 fiscal year due to the uncertainty surrounding Covid-19.



PARENT COMPANY

Parent Company balance sheet **PBS**

SEKm	Note	2020	2019
ASSETS			
Non-current assets			
Land and buildings	PC7	8,723	8,641
Tangible fixed assets		8,723	8,641
Participations in Group companies	PC8	9,604	9,604
Other long-term receivables		86	77
Financial fixed assets		9,690	9,681
Total fixed assets		18,413	18,322
Current assets			
Receivables from subsidiaries	PC9	12,726	12,100
Current tax assets	PC6	5	41
Other current receivables	PC10	476	274
Cash and cash equivalents	PC11	1,063	148
Total current assets		14,270	12,563
Total assets		32,683	30,885
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	PC13	2,350	2,350
Revaluation reserve		1,740	1,740
Statutory reserve		7,283	7,283
Total restricted equity		11,373	11,373
Retained earnings		8,551	7,152
Profit for the period		430	1,399
Total non-restricted equity		8,981	8,551
Total equity		20,354	19,924
Provisions			
Provisions for pensions	PC4	47	43
Provisions for taxes	PC6	1,564	1,551
Total provisions		1,611	1,594
Non-current liabilities			
Non-current interest-bearing liabilities	PC11	7,846	5,180
Other non-current liabilities		82	56
Total non-current liabilities		7,928	5,236
Current liabilities			
Current interest-bearing liabilities	PC11	1,200	3,500
Liabilities to subsidiaries	PC9	1,298	517
Trade payables		9	0
Current tax liabilities	PC6	0	0
Other current liabilities	PC12	283	114
Total current liabilities		2,790	4,131
Total equity, provisions and liabilities		32,683	30,885

Parent Company cash flow statement **PCF**

SEKm	Note	2020	2019
Operating activities			
Profit after financial items		-120	-4
TPC:1 Adjustment for non-cash items		23	-133
		-97	-137
Paid tax	PC6	-84	-485
Cash flow from operating activities before changes in working capital		-181	-622
Change in operating receivables		-828	5,099
Change in operating liabilities		985	-1,223
Cash flow from operating activities		-24	3,254
Investing activities			
Acquisition of fixed assets	PC7	-184	-268
Acquisition of financial assets	PC8	-9	-4,863
Divestment of financial assets		-	-
Divestment of tangible fixed assets		83	285
Cash flow from investing activities		-110	-4,846
Financing activities			
Loans raised		3,866	1,000
Amortization of debt		-3,500	-50
Dividend		-	-1,229
Group contributions	PC5	683	1,793
Cash flow from financing activities		1,049	1,514
Cash flow for the period		915	-78
Cash and cash equivalents, January 1		148	226
Cash and cash equivalents, December 31		1,063	148

TPC:1 Adjustment for non-cash items

SEKm	2020	2019
Depreciation of fixed assets	89	86
Capital gain on divestment of fixed assets	-70	-256
Unrealized exchange rate effects/changes in value of receivables and financial assets	-13	18
Change in provisions	17	19
Other items	-	-
Total	23	-133

Supplementary disclosures to cash flow

SEKm	2020	2019
Interest paid and received		
Interest paid	-82	-58
Interest received	164	192
Total	82	134

PC. PARENT COMPANY NOTES

PC1. OTHER OPERATING EXPENSES

Auditing expenses

SEKm	2020	2019
EY		
Audit assignments	-4	-4
Auditing activities other than the audit assignment	-1	-1
Total	-5	-5

PC2. PERSONNEL AND BOARD COSTS

Personnel and Board costs

SEKm	2020	2019
Salaries and remuneration	-64	-58
<i>of which Executive Management</i>	-56	-50
<i>of which Board</i>	-8	-8
Pension costs ¹⁾	-16	-12
Other social security costs	-21	-20
Other personnel costs	-1	-1
Total	-102	-91

¹⁾ The Parent Company's pension costs pertain entirely to the President and CEO and other senior executives. Pension costs are SEK 3m higher than stated in Note C3 due to an increase in the value of the current pension liability to the President and CEO and other senior executives.

PC3. PERSONNEL DATA

Average number of employees

	2020	2019
Average number of employees	12	12
<i>of whom men</i>	9	10
<i>of whom women</i>	3	2

PC4. PROVISIONS FOR PENSIONS

AP ACCOUNTING PRINCIPLES

The Parent Company's provisions for pensions are secured by the Pension Obligations Vesting Act (Tryggandelagen) and through capital insurance policies. The main difference between the rules of the Pension Obligations Vesting Act and IAS 19 in respect of pensions is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of the pension obligation. Both defined contribution and defined benefit plans exist in the Parent Company.

Capital value of pension obligations relating to self-administered pension plans

SEKm	2020	2019
Provisions in accordance with the Pension Obligations Vesting Act	32	28
Provisions outside the Pension Obligations Vesting Act's regulations	15	15
PBS Total	47	43

Of the total pension liability in 2020 of SEK 47m, SEK 15m (15) is a direct pension liability secured through capital insurance policies. The direct pension liability is not secured in accordance with the Pension Obligations Vesting Act. The capital insurance policies are reported as other long-term receivables in the balance sheet. For the remainder of the pension liability, external actuaries have carried out capital value calculations pursuant to the provisions of the Pension Obligations Vesting Act. The discount rate is 0.89% (0.7).

The company's outstanding pension obligations as per the balance sheet on December 31, 2020 relate to the President and CEO and other senior executives.

For further information on the Parent Company's pension plans, see Note C3.

PC5. APPROPRIATIONS

AP ACCOUNTING PRINCIPLES

For Group contributions, the Parent Company applies the alternative rule of RFR 2 and recognizes Group contributions paid and received, net, as appropriations.

Appropriations

SEKm	2020	2019
Group contributions received from subsidiaries	1,561	2,256
Group contributions paid to subsidiaries	-878	-463
PIS Total	683	1,793

PARENT COMPANY

PC6. TAXES

AP ACCOUNTING PRINCIPLES

Tax pooling in the Group is carried out via Group contributions paid and received. For Group contributions, the Parent Company applies the alternative rule of RFR 2 and recognizes Group contributions paid and received, net, as appropriations.

The Parent Company recognizes the majority of the Group's Swedish taxes. The **TPC6:1** table calculates the expected tax expense based on profit before tax multiplied by the current tax rate.

Tax expense (+), tax income (-)

SEKm	2020	2019
TPC6:2 Deferred tax	13	2
Current tax	120	388
PIS Total	133	390

TPC6:1 Explanation of tax expense

Reconciliation	2020		2019	
	SEKm	%	SEKm	%
Profit before tax	563		1,789	
PIS Tax expense/income	120	21.3	390	21.8
Expected tax	121	21.4	383	21.4
Difference	-1	-0.1	7	0.4
The difference is due to:				
Taxes related to prior periods	-	-	-1	-
Other items	-1	-0.1	8	0.4
Total	-1	-0.1	7	0.4

Current tax liability (+), tax asset (-)

SEKm	2020	2019
Value January 1	-41	56
Current tax expense	120	388
Paid tax	-84	-485
PBS Value, December 31	-5	-41

TPC6:2 Deferred tax expense (+), tax income (-)

SEKm	2020	2019
Changes in temporary differences	13	2
Total	13	2

Provisions for taxes

SEKm	Value January 1, 2020	Deferred tax expense	Value December 31, 2020
Land and buildings	1,556	19	1,575
Provisions for pensions	-11	-	-11
Tax loss carryforwards	0	-	0
Other	6	-6	-
PBS Total	1,551	13	1,564

PC7. TANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

The Parent Company's tangible fixed assets are recognized in accordance with the Group's accounting principles. The Parent Company recognizes standing timber as a tangible fixed asset at historical cost. No systematic depreciation or changes in value in conjunction with felling is carried out in the Parent Company. Collective revaluation of forest assets has occurred. The revaluation amount was placed in the revaluation reserve in equity.

In the consolidated accounts, forest assets are recognized at fair value and are divided into standing timber and land assets. Standing timber is recognized as a biological asset according to IAS 41 Agriculture, and land assets attributable to forest assets are recognized as tangible fixed assets at fair value according to paragraph 31 in IAS 16 Property, plant and equipment. For further information, refer to Note D2.

Tangible fixed assets

SEKm	Buildings		Land and land improvements		Machinery and equipment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated costs	173	172	4,499	4,330	5	5	4,677	4,507
Accumulated depreciation	-123	-119	-1,275	-1,191	-5	-5	-1,403	-1,315
Accumulated write-ups	-	-	5,449	5,449	-	-	5,449	5,449
Residual value according to plan	50	53	8,673	8,588	-	-	8,723	8,641
Value January 1	53	44	8,588	8,445	-	-	8,641	8,489
Investments	3	15	181	253	-	-	184	268
Disposals	-	-	-13	-30	-	-	-13	-30
Depreciation for the period	-6	-6	-83	-80	-	-	-89	-86
PBS Value, December 31	50	53	8,673	8,588	-	-	8,723	8,641

Land and land improvements include the carrying amount of SEK 7,702m (7,631) for forest assets.

PARENT COMPANY

PC8. PARTICIPATIONS IN GROUP COMPANIES
AP ACCOUNTING PRINCIPLES

The Parent Company recognizes all holdings in Group companies at cost after deduction for any accumulated impairment losses. An assessment is carried out on an annual basis to determine if any impairment is needed in the item Participations in Group companies. The need for impairment is determined individually and impairment is effected if the value decrease is considered permanent. Impairment is recognized in the item result from participations in Group companies.

Impairment testing

Testing means the carrying amount of shares in subsidiaries is compared with consolidated equity. The annual impairment testing of the carrying amount of shares in subsidiaries has not resulted in any impairment.

Participations in Group companies

SEKm	2020	2019
Accumulated costs	9,604	9,604
Carrying amount	9,604	9,604
Value January 1	9,604	4,758
Investments	-	4,846
PBS TPC8:1 Value December 31	9,604	9,604

In 2019, the Parent Company provided an unconditional shareholders' contribution to the subsidiary SCA Graphic Holding AB amounting to SEK 4,846m.

TPC8:1 Parent Company's holdings of shares in subsidiaries, December 31, 2020

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries					
SCA Graphic Holding AB	556479-2058	Sundsvall, Sweden	1,000	100	9,604
SCA Skogsfastigheter AB	556207-6256	Sundsvall, Sweden	1,000	100	0
SCA Kraftfastigheter AB	556449-7237	Sundsvall, Sweden	1,000	100	0
Total carrying amount of subsidiaries					9,604

PC9. RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES
Receivables from and liabilities to subsidiaries

SEKm	2020	2019
Current assets		
Interest-bearing receivables	10,957	9,780
Other receivables	1,769	2,320
PBS Total	12,726	12,100
Current liabilities		
Interest-bearing liabilities	70	103
Other liabilities	1,228	414
PBS Total	1,298	517

PC10. OTHER CURRENT RECEIVABLES
Other current receivables

SEKm	2020	2019
TPC10:1 Prepaid expenses and accrued income	130	17
Other receivables	346	257
PBS Total	476	274

TPC10:1 Prepaid expenses and accrued income

SEKm	2020	2019
Prepaid financial expenses	129	16
Other items	1	1
Total	130	17

PARENT COMPANY

PC11. FINANCIAL INSTRUMENTS

AP ACCOUNTING PRINCIPLES

Financial assets and liabilities are recognized at amortized cost, with the exception of derivatives, which are measured at fair value.

The accounting principles for financial instruments in the Parent Company are in accordance with the Group's accounting principles except that hedge accounting is not applied, see Note E1. Financial instruments are classified in accordance with IFRS 9 Financial Instruments. For definitions, see Note E1.

Financial items

SEKm	2020	2019
Result from participations in Group companies		
Dividends from subsidiaries	-	-
Interest income and similar profit items		
Interest income, subsidiaries	164	192
Interest expenses and similar loss items		
Interest expenses, external	-105	-56
Interest expenses, subsidiaries	-1	-5
Other financial expenses ¹⁾	-25	-33
PBS Total	33	98

¹⁾ The item includes exchange rate differences amounting net to SEK -1m (-1).

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2020	2019	2020	2019
Loans with maturities >1 year <5 years	4,437	1,791	4,448	1,797
Loans with maturities >5 years	3,409	3,389	3,424	3,390
PBS Total	7,846	5,180	7,872	5,187

Current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2020	2019	2020	2019
Loans with maturities <1 year	1,200	3,500	1,201	3,507
PBS Total	1,200	3,500	1,201	3,507

For further information about borrowing activities during the year, refer to Note E4.

Financial instruments by category

Financial assets measured at amortized cost

SEKm	2020	2019
Assets		
Financial fixed assets		
Interest-bearing receivables	22	21
Current assets		
Receivables from subsidiaries	10,957	9,780
Other current receivables	0	1
PBS Cash and cash equivalents	1,063	148
Total	12,042	9,950

Financial liabilities measured at amortized cost

SEKm	2020	2019
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	7,846	5,180
Current liabilities		
Interest-bearing liabilities	1,200	3,500
Liabilities to subsidiaries	70	103
Trade payables	8	0
Other current liabilities	10	10
Total	9,134	8,793

Financial assets measured at fair value in the income statement

SEKm	2020	2019
Derivatives – Non-current financial assets	-	-
Derivatives – Current financial assets	-	3
Derivatives – Other long-term receivables	64	56
Derivatives – Other current receivables	503	166
Total	567	225

Financial liabilities measured at fair value in the income statement

SEKm	2020	2019
Derivatives – Other non-current liabilities	82	56
Derivatives – Other current liabilities	506	166
Total	588	222

PC12. OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2020	2019
TPC12:1 Accrued expenses and prepaid income	47	43
Other operating liabilities	236	71
PBS Total	283	114

TPC12:1 Accrued expenses and prepaid income

SEKm	2020	2019
Accrued interest expenses	8	4
Accrued social security costs	8	7
Accrued vacation pay liability	2	1
Other liabilities to personnel	17	14
Other items	12	17
Total	47	43

PARENT COMPANY

PC13. SHARE CAPITAL

The change in equity is shown in the Parent Company statement of change in equity. The share capital and number of shares have changed since 1993 on account of new issues, new subscription, conversions, splits, and the cancellation of own shares as set out below:

Year	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1993	Number of shares, January 1, 1993	172,303,839		
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1
	New issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7
1994	Conversion of debentures	16,285	0.2	-
1995	Conversion of debentures	3,416,113	34.2	-
1999	New issue 1:6, issue price SEK 140	32,899,989	329.0	4,579.0
2000	Conversion of debentures	101,631	1.0	15.0
2001	New issue, private placement	1,800,000	18.0	18.0
2002	New subscription through IIB warrants	513	-	0.1
2003	Conversion of debentures	1,127,792	11.3	288.4
	New subscription through IIB warrants	1,697,683	17.0	434.5
2004	Conversion of debentures	9,155	0.1	1.1
2007	Split 3:1	470,073,396	-	-
2017	Cancellation of own shares	-2,767,605	-	-
2020	Number of shares December 31, 2020	702,342,489		

SCA's share capital, December 31, 2020

	No. of votes per share	No. of shares	Share capital, SEKm
Class A shares	10	64,587,672	216
Class B shares	1	637,754,817	2,134
Total		702,342,489	2,350

The quotient value of the Parent Company's shares amounts to SEK 3.35.

PC14. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

SEKm	2020	2019
Guarantees for subsidiaries	724	750
Other contingent liabilities	333	285
Total	1,057	1,035

Pledged assets

SEKm	2020	2019
Chattel mortgages	-	20
Total	-	20

The holding of chattel mortgages was terminated in 2020.

PC15. PROPOSED DISPOSITION OF EARNINGS

Annual accounts 2020

Disposition of earnings, Parent Company (SEK)

Non-restricted equity in the Parent Company:	
Retained earnings ¹⁾	8,551,217,078
Profit for the period	430,279,508
Total	8,981,496,586

The Board of Directors and the President and CEO propose:

- to be distributed to shareholders, a dividend of SEK 2.00 per share	1,404,684,978
- to be carried forward	7,576,811,608
Total	8,981,496,586

¹⁾ No dividend was paid for the 2019 fiscal year due to the uncertainty surrounding Covid-19.

The annual accounts are subject to adoption by SCA's Annual General Meeting and will be presented for approval at the Annual General Meeting on April 15, 2021.



Sustainability facts

Contents

136	Value creation
137	Strategic priorities and Group targets
141	Governance and materiality
144	Values
147	Profitable growth
148	Fossil-free world
151	Valuable forests
153	Efficient use of resources
156	Responsibility for people and the community
159	Social data
160	Environmental data
162	About the Sustainability Report

SCA's sustainability work is integrated into the Group's operations and business decisions. SCA's 2020 Sustainability Report is an integrated part of the combined Annual Report.

Value creation

SCA has a long-term perspective in its operations and sustainability is an integrated part of the company's operations and its business model. SCA's sustainability work encompasses social, economic and environmental goals, which are integrated into the company's work and business development. The Group's work is summarized in SCA's sustainability platform, which covers the company's operations as a whole and is an important component of the SCA brand. Read more on page 49.

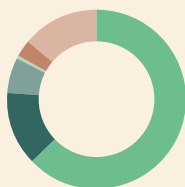
The set of values forms the foundation of SCA's corporate culture and indicates how the company integrates with its stakeholders, does business and conducts its operations. Profitable growth is the foundation of the company's strategy and part of sustainable development. Long-term economic returns are an integrated part of SCA's sustainability platform together with the other components: Fossil-free world, Valuable forests, Efficient use of resources and Responsibility for people and the community. Through these six components, SCA makes a direct or indirect contribution to all 17 of the UN's Sustainable Development Goals.

Through its operations, SCA helps to create value for a large number of stakeholders. These values include:

- Climate benefit from growing forests that capture and bind CO₂ and products that replace fossil-based alternatives
- Enabler of a circular society by providing access to renewable products and renewable energy
- Shareholder value for the company's shareholders
- Value of forest land through a stable wood supply to SCA's industries
- Job opportunities in the company's operations and at contractors
- Business opportunities for suppliers of goods and services
- Recreation and outdoor activities in the company's forests
- Sustainable local communities and regional development through the company's presence and operations

Economic value creation

SCA is an important source of prosperity and welfare. The company's operations generate economic values for shareholders, employees, suppliers, investors and society.



The area of the circle represents SCA's revenue, including changes in value to biological assets, totaling SEK 21,313m (2019: 22,485)

- 65.1% Payments to suppliers including other forest owners: SEK 13,869m (14,169)
- 14.1% Salaries, social security costs and pension provisions to SCA's employees: SEK 3,003m (2,997)
- 6.6% Dividend to shareholders, in accordance with Board's proposal: SEK 1,405m (0)
- 0.5% Interest paid to creditors: SEK 117m (126)
- 2.3% Income tax to society: SEK 484m (730)
- 11.4% Remaining in SCA: SEK 2,435m (4,463)

A large portion of payments to suppliers are made to SCA's local area in Northern Sweden. This is particularly the case for purchasing wood raw material and contractors' services.

For payments to employees, SEK 2,800m (93%) pertain to employees in Sweden, mainly in Northern Sweden.

A significant share of this figure was received by municipalities and the state in Sweden, through the payment of social security costs, payment by employees of municipal and state income taxes, and through the consumption of products and services.

95% of the reported income tax amount pertains to Sweden. The minor share, SEK 152m, consists of current tax expense and the remaining SEK 332m of deferred tax income.

The amount "Remaining in SCA" comprises profit for the period excluding depreciation/amortization and deductions for the dividend for 2020 in accordance with the Board's proposal.

Further information about the cost structure is available in the Board of Directors' Report and regarding income taxes in Notes B2, B3 and B4.



STRATEGIC PRIORITIES AND GROUP TARGETS

SCA's Group targets 2030 – Sustainability targets

During 2020, SCA has further developed its sustainability platform and supplemented six Group targets, one for each component. The Group targets are long term and are supplemented with a number of supporting targets, which describe how the targets will be achieved. The base year is 2019. The use of a limited number of clear targets and a time horizon of 2030 offers a clear direction for employees and external stakeholders.

The targets are formulated on the basis of the prioritized areas resulting from the materiality analysis and are based on market trends, the UN's 17 Sustainable Development Goals, stakeholder expectations and the company's strategic priorities. Read more about SCA's sustainability platform in the Strategy and operations section on page 49.



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 CO₂.
How: Increased net growth in SCA's own forests that capture CO₂ 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.



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 year¹⁾. (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.

¹⁾ 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.

STRATEGIC PRIORITIES AND GROUP TARGETS

Strategic priorities and sustainability targets

The areas of strategic priority each correspond to a component in SCA's sustainability platform, see the Strategy and operations section on page 49. SCA's materiality analysis is presented on page 142.

Strategic priorities	Why material	Impact on value chain	Governance	Material risks ¹⁾	SCA's materiality analysis ²⁾
<p>Values</p>	To be a credible and transparent company, business is based on a shared set of values derived from SCA's core values of respect, responsibility and excellence that are described in SCA's Code of Conduct, which all employees are to comply with. It is to permeate the company's business relationships and interaction with stakeholders. SCA aims to establish a sustainable supply chain with suppliers and contractors that share the company's values.	Employees, suppliers, customers, society	<ul style="list-style-type: none"> Code of Conduct SCA's Supplier Standard SCA's Compliance Council 	<ul style="list-style-type: none"> Business ethics Reputational risk Suppliers 	<ul style="list-style-type: none"> Ethics and values Human rights Supplier audits
<p>Profitable growth</p>	Long-term profitability requires sustainable and profitable growth in a responsible manner. The forest forms the core of SCA's operations and profitable growth is created by growing the renewable forest resource and increasing the value generated by each tree.	Shareholders, customers, society, employees, suppliers	<ul style="list-style-type: none"> Financial control Financial Policy Business development plans Budget follow-up 	<ul style="list-style-type: none"> Financial risks Demand and market price for SCA's products Impact of political decisions 	<ul style="list-style-type: none"> In accordance with the company's strategy
<p>Fossil-free world</p>	SCA produces and sells renewable products that can replace fossil-based alternatives and thereby contribute to reducing global warming. SCA also contributes to climate benefit through the net growth of the company's forests, which absorb CO ₂ from the atmosphere, and by continuously striving to reduce greenhouse gas emissions from its own value chain.	Growth in the forest, SCA's operations, suppliers, transports, customers	<ul style="list-style-type: none"> Sustainability Policy SCA's Environmental Network Business development plans 	<ul style="list-style-type: none"> Political decisions Climate change 	<ul style="list-style-type: none"> Climate impact Green transportation Renewable energy
<p>Valuable forests</p>	Forest is an important part of the earth's ecosystem. SCA conducts responsible forest management to preserve biodiversity and ensure long-term access to renewable forest raw materials. The company plays an active role in developing forest operations that promote low-impact forestry methods and maintain or enhance conservation values. SCA encourages and helps other forest owners to adopt responsible forest management.	SCA forests, private forest owners, community, customers	<ul style="list-style-type: none"> Forest management manual Quality manuals for forest operations, road construction and transport activities 	<ul style="list-style-type: none"> Risks linked to the forest portfolio Biodiversity Climate change 	<ul style="list-style-type: none"> Responsible forest management Biodiversity Supplier audits
<p>Efficient use of resources</p>	SCA continuously strives to improve its resource efficiency, which contributes to better profitability while also being economical with the planet's resources and reducing the impact on the environment. Water is an essential resource and we safeguard access to clean water by minimizing our emissions. We work continuously to minimize waste and look for new uses for the company's waste streams. Through innovation and product development, products are created that contribute to greater material efficiency for the company's customers.	Own operations, optimizing the value chain, customers	<ul style="list-style-type: none"> Sustainability Policy SCA's Environmental Network ESAVE program SCA's Innovation Network 	<ul style="list-style-type: none"> Environmental impact Risks at production plants 	<ul style="list-style-type: none"> Climate impact Resource efficiency Development and innovation Emissions
<p>Responsibility for people and the community</p>	Employees are the company's most important resource. SCA secures the future need of expertise by developing employees and being an inclusive and attractive employer that puts health and safety first. Through the business, jobs are generated, both directly and indirectly. SCA develops together with, and contributes to, the communities in which the company operates.	Employees (existing and potential), local communities	<ul style="list-style-type: none"> Sustainability Policy Health and Safety Policy HR Policy Steering committee ZERO SCA's Occupational Health and Safety Network 	<ul style="list-style-type: none"> Employee-related risks Risks at production plants 	<ul style="list-style-type: none"> Health and safety Community engagement Diversity Skills supply

¹⁾ See section Risks and risk management.

²⁾ See section Governance and materiality.

³⁾ According to the Swedish Annual Accounts Act (ÅRL) and UN Global Compact.

⁴⁾ Group targets have 2019 as base year.

⁵⁾ The non-financial multi-year summary presents a selection of key figures.

⁶⁾ The target may be adjusted due to changes in energy consumption after the discontinuation of publication paper operations at Ortviken.

⁷⁾ Result from the All Employee Survey 2020.



STRATEGIC PRIORITIES AND GROUP TARGETS

GRI disclosure number	Sustainability area ³⁾	Group targets 2030 Overarching sustainability targets ⁴⁾	Supporting sustainability targets	Outcome 2020 ⁵⁾
206-1	Human rights Anti-corruption	<ul style="list-style-type: none"> All employees comply with SCA's Code of Conduct. 	<ul style="list-style-type: none"> All employees receive training in the Code of Conduct No violations of the Code Purchasing from suppliers who share SCA's values, >98% of contract suppliers have approved SCA's Supplier Standard Audits of supplier operations using a risk-based selection 	<ul style="list-style-type: none"> 96% 7 confirmed breaches 94% 3 on-site audits at suppliers and approximately 3,500 on-site audits of harvesting and forest contractors
201-1	N/A	<ul style="list-style-type: none"> Leading total shareholder return (TSR) 	<ul style="list-style-type: none"> Total shareholder return Stable and increasing dividend Financial stability – Investment Grade credit rating 	<ul style="list-style-type: none"> 51% No dividend paid for 2019 due to the coronavirus pandemic. Dividend proposed for 2020 in accordance with the Board's recommendation Investment Grade credit rating
305-5	Environment	<ul style="list-style-type: none"> Increased climate benefit from 10 to 15 million tonnes CO₂ 	<ul style="list-style-type: none"> Increase total climate benefit to 15 Mt CO₂ Net uptake of CO₂ in the forest Increase substitution benefits from SCA's products 50% reduction of fossil emissions in the value chain, Scope 1, 2 and 3, compared with 2019 Implement 11 TWh of approved wind power capacity on SCA land by 2025 	<ul style="list-style-type: none"> 9.6 million tonnes CO₂ 4.4 million tonnes CO₂ 6.1 million tonnes CO₂ 0.86 million tonnes CO₂e. Reduction by 5% 5.4 TWh
304-3	Environment	<ul style="list-style-type: none"> 100% of wood raw material from responsibly managed forests 	<ul style="list-style-type: none"> 100% CoC certified wood raw material – minimum requirement FSC Controlled Wood Standard 75% of wood raw material from certified forests or harvested with SCA retention SCA's own forestry management certified under FSC and PEFC The company's forests are to be at least as rich in biodiversity, nature experiences and raw material in the future as they are today 	<ul style="list-style-type: none"> 100% 81% 100% of SCA-owned forest (forest operations) Measures to secure habitats for SCA's protected species will be defined as needed, see page 152
302-1	Environment	<ul style="list-style-type: none"> Zero waste – Nothing goes to waste 	<ul style="list-style-type: none"> High raw material yield in every process Increase processing level and reduce handling costs for waste streams Improve energy efficiency through efficiency enhancements of at least 50 GWh per year based on the company's energy consumption in 2020⁶⁾. (ESAVE program 2020–2025) Minimize emissions to water and air. Decrease emissions of suspended solids and phosphorus by 10% between 2014 and 2020 Minimize landfill waste and hazardous waste 	<ul style="list-style-type: none"> Measured locally per production unit New target, evaluated for the first time in 2021 Energy efficiency program 2020 corresponding to 23 GWh Emissions of suspended solids increased 7%, while phosphorous emissions fell 23% compared with the base year 7,704 tonnes of waste to landfill or handled as hazardous waste
403-9 405-1	Social conditions and employees Labor	<ul style="list-style-type: none"> An accident-free and healthy SCA 	<ul style="list-style-type: none"> No workplace accidents resulting in absence A mature health and safety culture. Move the health and safety culture to phase 4 on the DuPont Bradley Curve™ Develop leaders who can address future needs Employees who grow and develop Contribute toward viable local communities 	<ul style="list-style-type: none"> LTA frequency rate 5.6 accidents resulting in absence, per million hours worked New target, evaluated for the first time in 2021 Green leadership index⁷⁾ Green engagement index⁷⁾ 58% of funds were paid to northern Sweden



STRATEGIC PRIORITIES AND GROUP TARGETS

SCA and UN Sustainable Development Goals

The UN's 17 Sustainable Development Goals played an important part in work to develop SCA's sustainability platform. SCA views the goals as a whole and makes a direct or indirect contribution to all of these goals. This is described in more detail on sca.com. The examples below show how the company contributes to the goals through each component in SCA's sustainability platform.

Through the area of Values, SCA contributes to goals 1, 2, 5, 8, 10, 12, 16 and 17 with its demands on suppliers, work against corruption and partnership processes on environmentally certified forest operations and within the framework of the UN Global Compact.

Through Profitable growth, SCA contributes to goals 8 and 10 with long-term job creation, good working conditions and skills development.

Through Fossil-free world, SCA contributes to goals 7, 12, 13 and 14. One example is the company's renewable products that can contribute to reduce fossil dependency and thereby more sustainable consumption combined with climate benefits.

Through Valuable forests, SCA contributes to goals 3, 6, 9, 11, 12, 13, 15 and 17 with its responsible and active forest management, including FSC and PEFC certificates and recreating wetlands.

Through Efficient use of resources, SCA contributes to goals 3, 6, 7, 8, 9, 11, 12, 13 and 14 with effective control and programs to reduce process emissions to water and work to minimize emissions to water and marine environments.

Through Responsibility for people and the community, SCA contributes to goals 3, 4, 5, 8, 10, 11, 16 and 17 with healthy and safe work environments and job creation and regional development.



THE GLOBAL GOALS
For Sustainable Development





GOVERNANCE AND MATERIALITY

Governance and materiality

Sustainability governance

SCA's sustainability work is an integrated part of the company's business model and operations. The sustainability work helps the company strengthen competitiveness, reduce risks and costs, 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's sustainability agenda is headed by the Group's Sustainability Council, which includes members of the Executive Management and the Group's Sustainability Director. The Sustainability Council is led by the Group's CFO. In addition, a number of cross-functional networks exist to manage and coordinate issues of fact, such as the environment and work environment.

Control and follow-up of sustainability work follows the same structure as other operations in SCA Group. A description can be found in the Corporate Governance Report and in the illustration below. The sustainability agenda is based on SCA's set of values and regulated through the Group's policies, where the Code of Conduct and Sustainability Policy form the basis of sustainability work.

The Group targets, together with the sustainability target, are formulated based on the materiality analysis and on strategic priorities. These are supplemented at local level with unit-specific targets. Risks linked to the field of sustainability are included in the Group's total risk management, which is presented in the Board of Directors' Report.

Follow-up of sustainability work

Follow-up and evaluation of sustainability work complies with SCA's procedures for self-assessment, internal control and audits, as described in the Corporate Governance Report. Follow-up is conducted at unit level together with other monitoring of targets, and aggregated at Group level. The outcome of the Group-wide targets is monitored by the Group's cross-functional

network and by SCA's Sustainability Council. Any discrepancies are reported using the Group-wide discrepancy procedures and corrective measures are identified and implemented.

External initiatives and membership in organizations and certifications

SCA monitors and wants to contribute in various ways toward initiatives aimed at achieving a more sustainable world. SCA is a member of the UN Global Compact, an initiative aimed at convincing companies to take responsibility for the UN's ten principles in the areas of human rights, working conditions, the environment and anti-corruption. SCA is also active in a number of international, national and regional trade organizations.

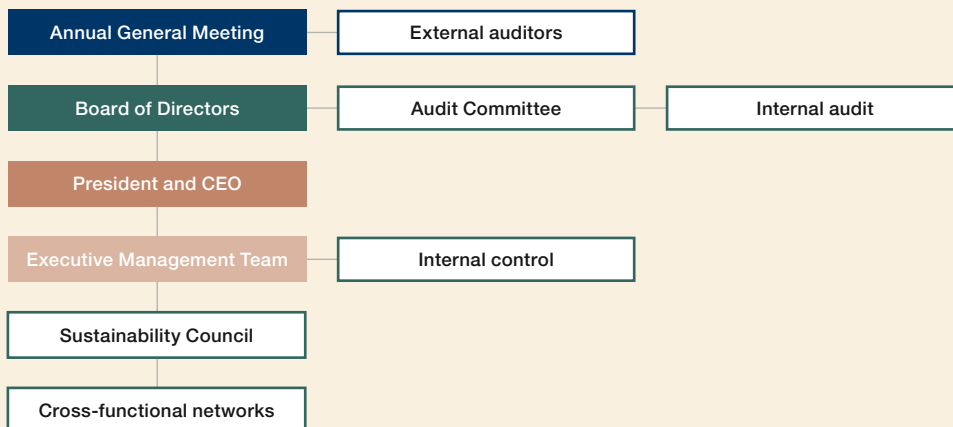
SCA supports the 2030 Agenda and the UN's 17 Sustainable Development Goals. The company works with goals as a whole and makes a direct or indirect contribution to all of these goals. The goals form an important basis for the company's materiality analysis.

SCA is committed to active and responsible forest management, and supports the two international certification systems for forests and forest raw materials, the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). SCA is active at both international and national levels. Furthermore, SCA works to raise awareness of how active forest management and increasing the use of forest products can help to combat climate change. SCA is actively working to protect the forest's biodiversity. This is achieved through its own initiatives and through cooperation in various research programs and initiatives. One such example is business@biodiversity Sweden. Most of SCA's operations are certified in accordance with ISO 14001, 50001, 9001 and 45001, as detailed on sca.com.

SCA wants to contribute to the transformation to a fossil-free society and is a member of the Fossil Free Sweden initiative. SCA participates in the WWF Environmental Paper Company Index, and is a member of the WWF Global Forest & Trade Network (GFTN).

Control and follow-up of sustainability work

Control and follow-up of sustainability work follows the same model as other operations in SCA.



GOVERNANCE AND MATERIALITY

Stakeholder dialogues

SCA engages in continuous dialogue with various stakeholders in order to raise awareness of the areas that stakeholders consider should be prioritized and to continuously improve the company's value creation. SCA identifies its primary stakeholders based on their interests and potential influence on the Group and the Group's operations, and their material impact on the Group's business. This takes various forms depending on the stakeholder group and the part of the business affected.

The business areas maintain a close dialogue with their customers and follow up customer satisfaction through surveys, face-to-face meetings and third-party assessments. SCA regularly meets investors and analysts. The Group performs All Employee Surveys and annual target and performance management reviews for its employees. Moreover, SCA communicates with other groups and individuals in matters that have a major impact on society in general and local communities in particular, and holds regular meetings with individuals living near SCA's operations. SCA also maintains a close dialogue with various NGOs that represent activities impacted by SCA's work, such as retention organizations.

Stakeholder dialogues provide insights into the expectations of various interest groups, help to cultivate long-standing relationships and continuously improve the Group's operations. In addition, the dialogues provide valuable information when the Group assesses its sustainability program and prioritizes sustainability initiatives. The Stakeholder Dialogues table offers an overview of the main stakeholder groups and a summary of the year's dialogues and the key conclusions drawn by SCA from the dialogues.

Key stakeholder issues in 2020

1. Coronavirus pandemic – impact on staff, the company and the market
2. Discontinuation of publication paper
3. Various matters concerning the forest and forest operations
4. Climate – the company's work, product advantages
5. The EU Green Deal and taxonomy

Materiality analysis

SCA's materiality analysis is based on several different elements: Stakeholder dialogues, targeted surveys, summaries of market trends and the company's and management's strategic priorities. The materiality analysis forms the basis for SCA's strategic direction and priorities in its sustainability work.

SCA conducts a materiality analysis every two years. The most recent was conducted in 2019 and the conclusions are presented in the Materiality analysis illustration. The results show the topics that are of greatest significance for SCA's business and values program based on the analysis conducted.

In 2019, some 4,000 people were interviewed as part of a targeted survey. It was conducted to obtain an overview of the priorities of the stakeholder groups. The survey included investors, shareholders, analysts, customers, end-consumers, suppliers, NGOs, politicians and employees. The company's contributions and challenges linked to the UN's 17 Sustainable Development Goals were included as part of the analysis. The interviews were conducted by an external party.

The following areas were given top priority: Health and safety, responsible forestry, climate impact, ethics and values as well as resource efficiency.

Materiality analysis

Areas that are of greatest significance for SCA based on the materiality analysis from 2019.





GOVERNANCE AND MATERIALITY

Stakeholder dialogues

Interaction with the company's stakeholders was modified in 2020 in response to the coronavirus pandemic. Few physical meetings and excursions took place in 2020 compared with a normal year. These were replaced with virtual events where possible.

Stakeholder groups	How we conduct dialogues	Main topics	How we address the issues
Customers and consumers	Customer visits, interviews, participation in customer events and seminars, trade fairs, mailings, website, social media	Climate benefit, environmental impact, ecolabelling, fiber sourcing, forestry, biodiversity, human rights, reindeer herding, occupational health and safety, customer benefits, resource efficiency, innovation, quality, product safety, discontinuation of publication paper	<ul style="list-style-type: none"> • Customer surveys and customer visits • Visits by customers to show our company's value chain • Dialogue and onsite visits to demonstrate responsible forest management • Dialogue about climate footprint, FSC and PEFC certification, product safety • Training in Code of Conduct and the Supplier Standard • Development of new products and service concepts together with customers. Life cycle management of products • Visit to customers by SCA experts in various fields • Customers who perform audits of SCA's operations • Customer magazines, for example SCA Wood Magazine and New Ways • Ecolabels and so forth, such as WWF ECPI • Participation at trade fairs at national and international levels
Employees	Performance reviews, workplace meetings, work councils, online surveys, intranet, internal courses, management meetings	Health and safety, values and workplace culture, attracting and recruitment, skills development, succession planning, compensation and benefits, business ethics, working conditions, resource efficiency, environmental impact, product development, strategic development, discontinuation of publication paper	<ul style="list-style-type: none"> • The Group's ZERO initiative for developing a health and safety culture, ISO 45001 certification (previously OHSAS 18001) • Risk analyses and management of pandemic • Consultation activities and separate meetings concerning restructuring in Sundsvall • Use of the discussion tool "How do we act?" and training in SCA's Code of Conduct, anti-corruption and business ethics • Participation in student fairs and partnerships with the educational sector • SCA's podcast Ingenjörspodd and the staff magazine SCA Inside • Introductory course for new employees, skills-enhancement activities, leadership training, Early career program and internships
Investors and owners	Investor meetings in conjunction with, for example, interim reports, capital market days, risk reports, the AGM, interviews, website	Financial performance, market outlook, dividend and financial targets, areas of growth, forest valuation, risk management, climate impact, sustainability, corporate governance, discontinuation of publication paper	<ul style="list-style-type: none"> • AGM March 31, 2020 • Regular investor and analyst meetings during the year • Roadshows in conjunction with quarterly accounts • Risk management as part of the Board of Directors' Report in the Annual report • Capital market day, December 3, 2020
Suppliers	Follow-up meetings, request for tenders and procurements, interviews, website	Health and safety, supplier audits, business ethics, human rights, energy consumption, resource efficiency, climate impact, discontinuation of publication paper	<ul style="list-style-type: none"> • SCA's Supplier Standard as part of contracts • Supplier assessments and follow-up meetings • Risk-based supplier audits performed on-site • Training of purchasing staff • Assessing countries and suppliers from a sustainability perspective • EcoVadis platform • Follow-up meetings with individual suppliers
Private forest owners	Forest owner meetings, physical and virtual meetings, customer magazine, website, social media	Long-term and sustainable forestry, management methods, forestry plans, ownership rights, forest management certification, nature conservation, profitability	<ul style="list-style-type: none"> • Business contacts on an ongoing basis during the year • Customer satisfaction interviews with private forest owners • A small number of forest owner meetings in 2020 due to the pandemic • Further development of Skogsvinge™ for greater customer value • Collaboration with Skogscertifiering Prosilva AB (group certificate for private forest owners) • "Din Skog" customer magazine for forest owners
NGOs	Meetings concerning specific issues, interviews, reporting to ecolabels and sustainability indexes, websites	Forest management, biodiversity, climate and environmental issues, resource efficiency, green energy, human rights, hunting, reindeer herding	<ul style="list-style-type: none"> • Stakeholder dialogues • Memberships and involvement in organizations such as the Swedish Forest Industries Federation, the Confederation of European Paper Industries (CEPI), FSC and PEFC • Involvement in the revision of the Swedish FSC standard, other standards and ecolabels • Onsite visits to the company's forests • Collaboration with BirdLife to restore wetlands and improve conditions for great owls, such as Ural owls • Roundtable discussions on methods to monitor and measure biodiversity
Society	Dialogue meetings, local events, public consultation, interviews, websites	Occupational health and safety, environmental issues, local issues, renewable energy, reindeer herding, labor market, education, community engagement, diversity issues, human rights	<ul style="list-style-type: none"> • Dialogues with regulators, government authorities, municipalities and lobbyists • Consultation and dialogue about investments, permits, employment and other local issues • Consultation meetings with local Sami communities and residents living near to SCA's industries and forests • Board representation or participation in organizations for regional development, such as chambers of commerce and Junior Achievement Sweden in the northern counties. • Brand surveys. Participation in "Skogen i skolan". Kalla Champs to encourage young people to move around and discover the forest • Supervisory and annual reporting to government authorities, for example environmental reports

VALUES

Values



Values

SCA has a corporate culture based on SCA's values. This is expressed in the way SCA treats people, does business and conducts its operations. Human rights are to be respected by SCA and its business partners. SCA's Code of Conduct is the basis for its corporate culture and employees receive regular training in the Code.

Code of Conduct

SCA's Code of Conduct is a framework for putting the Group's core values – responsibility, excellence and respect – into practice and is to ensure that SCA's employees comply with the Group's core values and do not take part in unethical transactions and practices. SCA has zero tolerance for misbehavior in the workplace, such as discrimination and sexual harassment.

The Code is the Group's foremost steering document in terms of sustainability and constitutes, together with SCA's Sustainability Policy, the basis of the Group's sustainability agenda. The Code, which is adopted by the Board of Directors, details the guidelines for business ethics (including anti-corruption), health and safety, employee relations, respecting human rights, the environment and society that every employee is to follow. The Code is based on the UN Declaration of Human Rights, the International Labour Organisation's (ILO) Core Conventions, the Organisation for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises, and the Ten Principles of the UN Global Compact. More about SCA's Code of Conduct can be found at sca.com.

SCA's Code of Conduct applies to all employees within the Group and all employees receive regular training in the Code. It applies to all markets in which SCA conducts operations. All new employees and temporary employees are educated in the Code as part of their introduction. Every third year, all employees take part in a refresher course. The percentage of employees educated in the Code of Conduct amounted to about 96% at the end of 2020. The Code of Conduct also forms the basis for SCA's Supplier Standard.

Human rights and the equal value of everyone

Human rights is one important aspect of SCA's Code of Conduct, which forms the basis of the Group's company culture and business relationships. SCA does not tolerate child labor or any other form of forced labor in its own facilities or the operations of any business partner. SCA complies with applicable national laws and international standards on minimum age wherever the company operates. SCA promotes fair working conditions, health and safety, the trade union rights of employees and the right to collective bargaining. SCA has been a member of the UN Global Compact since 2008. Risks linked to human rights have primarily been identified in business relationships, health and safety and the use of land, refer to the section on risks in the Board of Directors' Report. All forms of suspected violations of human rights are taken very seriously and dealt with in the same manner as other suspected violations of SCA's Code of Conduct.





VALUES

Business ethics

SCA bases its business activities on honesty, integrity and responsible business practices. The company must comply with applicable laws, regulations and SCA policies and instructions. Bribery and any other form of corrupt business practice are strictly prohibited. Neither SCA nor anyone acting on SCA's behalf may authorize, offer or make available any payments, gifts or other benefits that could affect or appear to affect objectivity in business decisions or the actions of a government official. All financial information must be accurately reported in a non-misleading manner in accordance with SCA's accounting practices.

Anti-corruption

Corruption is to use your position to achieve an unfair advantage for your own gain or the gain of another person. This includes bribery that entails providing, offering, receiving or requesting an unfair benefit. The Group must conduct all activities in accordance with applicable laws and regulations and does not tolerate any form of corruption or bribery. Work against corruption is included in SCA's Code of Conduct. SCA's instructions for anti-corruption establish rules to prevent anti-corruption in the Group's operations regardless of country.

All of SCA's employees are trained in the Group's Code of Conduct, which includes a section dealing with business ethics. Employees in a senior position and/or with external contacts are given additional training in anti-corruption. The target group

comprises about 1,000 employees. Management teams and other relevant individuals also receive training on these issues in the form of mini-seminars.

Anti-trust

SCA complies with competition laws and strives to combat anti-trust, price fixing, the carving up of customers or geographic markets, bid rigging or abuse of a dominant position. SCA has established programs to increase knowledge among employees of competition law. The target group is employees with market-related contact with competitors and includes about 290 employees. SCA has guidelines for compliance with competition law. Every year these are distributed to the target group, who must confirm that they have read the material. In addition to training for employees and new employees in the relevant target group, regular seminars are held that discuss issues and news in the area.

Whistleblower system

Every employee can report suspected violations of the Code of Conduct. The violation can be reported to a line manager, human resources manager, legal counsel or union representative. There is also a whistleblower function available at sca.com which is also open to individuals who do not work at SCA. The complaints, which may be submitted anonymously, are investigated confidentially, promptly and professionally by specially appointed investigators taking into account current personal

Compliance with SCA's Code of Conduct, laws and regulations

Reported cases and remarks in 2020 (outcome in 2019 in brackets)

SCA uses a number of methods to safeguard compliance with prevailing law and the company's Code of Conduct. These include risk evaluation, audits by external and internal auditors, the company's internal control, incident reporting and controls in connection with acquisitions.

Code of Conduct

In 2020, 17 cases of potential breaches of the Code of Conduct were reported and investigated. They included cases of harassment, theft, conflicts of interest and inappropriate behavior. Of these, 7 (8) were confirmed as breaches of the Code. Three inquiries were ongoing at the end of the year, all from the end of the year.

Anti-corruption and competition laws

There are no ongoing (0) cases against SCA related to breaches of anti-corruption or competition law. Nor has SCA been subject to any legal process during the current or preceding year.

Health and safety

Serious workplace accidents and health and safety incidents are reported to the relevant authority in accordance with current regulatory requirements. In those cases when the authority considers that an error was made, a case may be submitted to the public prosecutor for review. In 2020, 0 incidents resulted in the public prosecutor initiating legal proceedings or issuing a punishment order. From previous years, 0 (1) incidents resulted in the issue of a punishment order or corporate fine in 2020.

All employees are encouraged and have the opportunity to report incidents and risk observations that could result in work environment risks. The reports are incorporated in the work of continuous improvements.

External environment

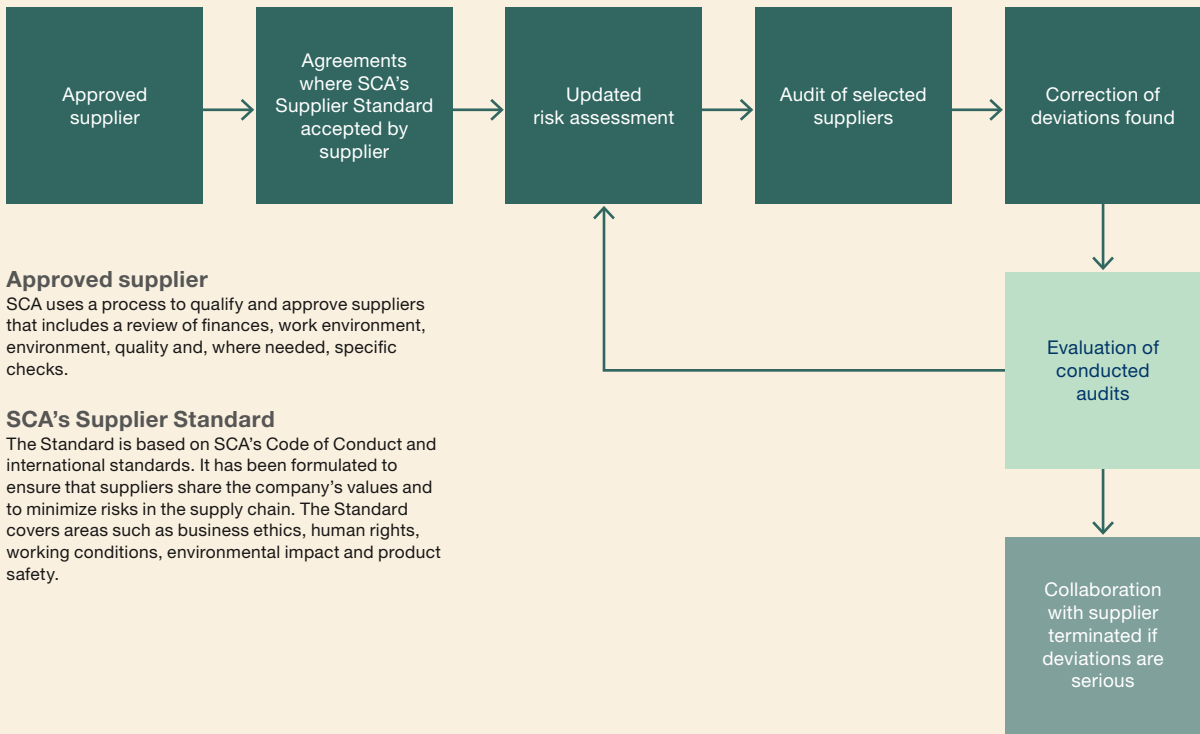
It is important to engage in active dialogue with communities that can be affected by SCA's operations. This is part of the Group's stakeholder dialogues and encompasses the entire Group's operations, refer to the Stakeholder dialogues section. Dialogue may, for example, be conducted as public meetings or be based on opinions received. All environmental remarks are investigated in accordance to SCA's procedures and measures are taken where possible. In 2020, 160 (81) remarks were registered. These remarks concerned noise, odors, emissions to surrounding areas or the forest operations. Employees also have the opportunity to report incidents that could impact the environment. The reports are incorporated in the work of continuous improvements.

SCA's operations have been granted permits by the authorities. These permits are associated with a number of environmental conditions that must be complied with. The authorities are informed in the event of exceedances. Corrective action is taken both urgently and in the longer term to reduce environmental impact. During 2020, 23 (24) environmental matters were dealt with by the authorities. 3 (2) of these matters resulted in penalties during the year. These concerned surface water and missed analyses at BioNorr and fencing within the operating area of crushed aggregate products.

VALUES

SCA's process for a sustainable supply chain

It is important that the company's suppliers share our values. Regular reviews of risk and improvement potential enable us to develop together.



SCA ANNUAL AND SUSTAINABILITY REPORT 2020

data legislation. Complaints covered by the whistleblower system and other cases of suspected violation of the Code of Conduct are managed in accordance with SCA's procedures. Even if an allegation cannot be substantiated, preventive actions may be implemented. The scope, outcome and actions taken concerning reported cases are followed up by SCA's Compliance Council.

Sustainable supply chain

SCA wants to ensure safe and high-quality goods and services for its customers and consumers, produced and delivered with respect for people and nature. Potential business partners are evaluated before cooperation is initiated. The evaluation comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics.

To ensure that SCA's suppliers share the company's set of values, SCA has formulated a Supplier Standard with which suppliers must comply. SCA's Supplier Standard is based on the Group's Code of Conduct, (see sca.com), human rights and international standards. SCA uses an external system to evaluate sustainability work by suppliers. Audits are also performed on-site based on the risk assessment. Early in 2020, 3 audits (3) were held before the coronavirus pandemic limited the possibility of site visits.

There are well-established procedures for supplier assessments, control and visits on site in regard to harvesting and silvicultural services contractors. The requirements correspond to SCA's Supplier Standard and have been supplemented with requirements and controls linked to forest and forest operations, including PEFC's supplier audits. Follow-up meetings on site were only marginally impacted by the ongoing coronavirus pandemic and about 3,500 were conducted in 2020.

SCA has agreements with a large number of suppliers. For timber supply from private forest owners, SCA has created a purchasing organization with about 80 timber purchasers, distributed between local offices across the region. Through this organization, SCA has business relationships with approximately 18,000 private forest owners. Timber sourced from other forest companies and large forest owner associations is managed by a central purchasing function that is also responsible for any timber imports. About 170 contractors are responsible for most of the harvesting, about 100 for timber transportation to SCA's industries and about 100 for forest management measures.

For most important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for industrial facilities.

Profitable growth



Profitable growth in a responsible manner is an important aspect of sustainable development and represents one component in SCA's sustainability platform. SCA's strategy for profitable growth is described in the Strategy section on pages 18–23. Profitable growth generates value for SCA's stakeholders and utilizes SCA's industrial ecosystems to create value in, by and from the company's large forest holding. The company's operations also create profitable growth for customers, suppliers and communities where the company operates.

Attractive investment

Through the realization of the company's strategy for profitable growth, SCA is to deliver a leading total shareholder return, meaning share price appreciation including dividends, and a stable and increasing dividend to shareholders. The outcome for 2020 is presented on page 58. A stable financial position is a prerequisite and foundation for investing in growth. This is measured by the company holding an Investment Grade credit rating, see page 70.

Implementing the strategy – Restructuring in Sundsvall

During the year, SCA made a decision to exit the publication paper product category and invest in the production of chemithermomechanical pulp (CTMP) at the Ortviken industrial site. Demand for publication paper has been in decline for several years due to increased digitalization and new reading and advertising habits. This decline accelerated during the pandemic. The discontinuation of publication paper operations will affect about 800 employees. Those employees who lose their job will receive counseling and SCA will actively work with the municipality and authorities to facilitate the transition. SCA is also endeavoring to expand Ortviken as an industrial site by establishing new activities. One such example is the lease of part of the facility to the company Renewcell, which will recycle clothes and produce new fibers to the textile industry.



Fossil-free world



Climate impact and climate benefits

SCA wishes to contribute 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 CO₂ from the atmosphere, and through the company's products, which are renewable and replace fossil alternatives. SCA also enables others to become fossil-free by providing access to renewable energy in various forms. SCA's target is to increase climate benefit from 10 to 15 million tonnes of CO₂ between 2019 and 2030. This will be achieved by net growth in SCA's own forests that bind CO₂, by reducing fossil emissions in the value chain by 50% by 2030, by increasing the volume of renewable products and by using innovation to develop products that offer greater climate benefits.

The company's total climate benefit is calculated using the model published by SCA in 2019, see sca.com, and comprises three components:

- Uptake in SCA's own forest, where 1 m³fo in net growth corresponds to an uptake of 1,375 tonnes/m³fo CO₂ from the atmosphere. This is the same factor as used in Sweden's national reports.
- Fossil emissions in the value chain, meaning from the forest operations to the customers' gate. Emissions are calculated using the GHG protocol and encompass Scope 1, 2 and 3.
- The climate benefit that arises when SCA's products replace fossil materials and the equivalent amount of fossil carbon remains in the ground, is referred to as the substitution effect.

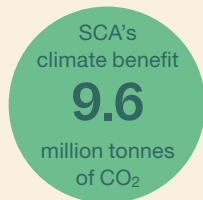
SCA has chosen to group the products as wood products, pulp and paper, and renewable energy. Substitution factors for each group are presented on sca.com. The company calculates the potential for all supplied products. Calculations for pulp and paper products are conservatively estimated and the effect is measured as energy recovery. The model does not take into consideration the climate effect of the storage of biogenic carbon in the products during their service life nor that fiber is recycled and used several times.

In 2020, the total climate benefit decreased from 10.5 to 9.6 million tonnes CO₂. The decrease is primarily due to increased harvesting from SCA-owned forest as a result of wetter weather. Net forest growth decreased as a result. Fossil emissions in the value chain fell 5% in total and in industrial processes by 14%. Substitution benefits were largely unchanged as the total volume sold declined slightly. The rise in pulp production does not fully compensate for lower publication paper production.

Net growth in SCA's forests bound 4.4 (5.4) million tonnes of CO₂ in 2020, refer to the explanation above. Growth can be enhanced through responsible and active forest management, the development of seedling material, the use of fast-growing contorta pine on suitable land and through fertilization. The rate of harvesting is lower than the growth, which leads to a net growth and thereby a net uptake of CO₂ from the atmosphere.

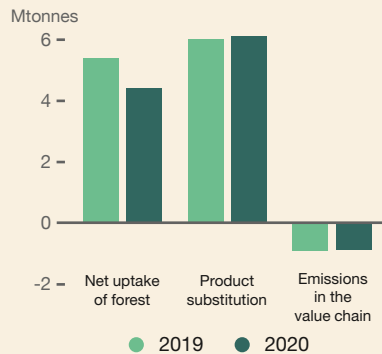
The company's products provide climate benefit as they replace fossil alternatives or materials with a greater climate impact, such as steel, concrete and plastic. In 2020, the substitution

SCA's climate benefit Corresponds to fossil emissions from Sweden's passenger cars



Climate benefit in million tonnes of CO ₂ e	2020	2019
Net uptake in own forest	4.4	5.4
Products, substitution effect	6.1	6.0
Value chain (Scope 1, 2 and 3)	-0.9	-0.9
Total climate benefit	9.6	10.5

The table shows SCA's climate benefit in accordance with the model described by Holmgren and Kolar, see sca.com



The change between the years is explained in the above text.

FOSSIL-FREE WORLD

effect amounted to about 6.1 (6.0) million tonnes of CO₂. This excludes the effect of the removal of CO₂ from the atmosphere for many years when wood material is used in buildings or furniture or when fiber-based packaging and paper is collected and reused as recovered fiber. Continued work with innovation and development will provide new opportunities to replace fossil materials and thereby further increase climate benefit from forest-based products.

SCA's objective is to make the entire value chain fossil-free. One interim 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. The emission of greenhouse gases across the value chain fell during the year by 5% and amounted to 0.86 (0.91) million tonnes of CO₂.

Some 35% (35) of fossil emissions in the value chain are from own operations and from purchased electricity while about 65% (65) are from sources outside the company's facilities. The single largest source is transportation which accounts for 50% of total emissions. The company is striving in various ways to reduce climate impact, for example through energy-efficiency measures, choice of fuel and the optimization of the logistics system, as well as choice of transport mode, load utilization, choice of transport route and ecodriving. The investment to increase kraftliner capacity at Obbola will remove another source of fossil oil of approximately 8,000 m³.

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

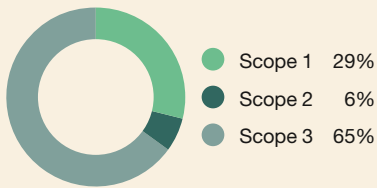
and by leasing out land for wind power production. In 2020, district heat deliveries amounted to 0.3 TWh (0.5), corresponding to heating almost 30,000 homes. At the end of 2020, installed wind power capacity amounted to 5.4 TWh (4.4) per year. Through its energy efficiency, the expanded pulp mill in Östrand contributes to a surplus of green electricity of 0.4 TWh (0.3), corresponding to a midsize power station.

EU Sustainable Finance Taxonomy

EU is devising a framework to help financial market participants steer capital toward investments that stimulate sustainable development. The framework, the taxonomy, will require companies to present reports that allow stakeholders to assess how large a part of the company's operations are in line with the criteria defined in the taxonomy. The taxonomy's criteria are yet to be decided. SCA will present the company's outcome on sca.com and update the information on an ongoing basis.

- The EU has defined six environmental objectives as part of the taxonomy. The company's operations are to substantially contribute to at least one of the environmental objectives without causing significant harm to any of the other objectives. SCA makes a positive contribution to all six of these environmental objectives, see sca.com.
- SCA has worked for some time to promote responsible forest operations and is active in the continued development of forest operations based on new knowledge. SCA's forest operations have been certified under FSC for more than twenty years. Forest operations are also certified under PEFC.
- Over the past decade, SCA has halved the climate impact of its own operations.
- SCA helps many other businesses fulfill the taxonomy by supplying and increasing access to renewable materials and renewable energy.

Greenhouse gas emissions in the value chain

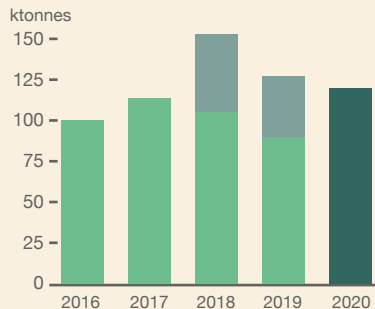


In 2020, fossil emissions from the value chain, from forest operations to the customers' gate, amounted to about 0.86 million tonnes of CO₂e. This compares with the total climate benefit from SCA's operations of approximately 9.6 million tonnes of CO₂, see above. Scope 1 includes emissions from SCA's own vessels.

Emissions in million tonnes of CO₂e:

Scope	2020	2019
1. Direct emissions	0.25	0.28
2. Purchased electricity and energy	0.05	0.06
3. Purchased goods and services	0.56	0.57
Total for scopes 1-3	0.86	0.91

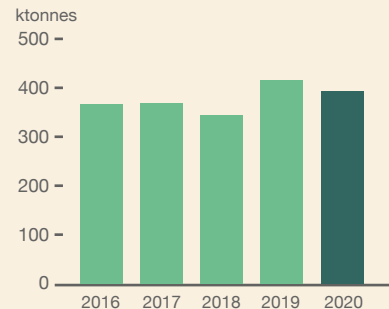
Carbon emissions from industry, fossil CO₂



● Impact of pulp expansion project

SCA is working actively to reduce fossil CO₂ emissions. Since 2010, emissions of greenhouse gases have halved if the impact of the pulp expansion project 2018 is excluded. During the rebuilding and ramp up, a higher proportion of oil was used.

Carbon emissions from transportation, fossil CO₂



In 2020, emissions decreased slightly, mainly due to a reduction in transportation to other continents. A reduction in the share of imported forest raw material also contributed to shorter transport routes.

TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative where companies, to increase transparency, can voluntarily choose to report on how the risks and opportunities of climate change may impact the company and its profitability. SCA is currently not a member of TCFD, but has been working with these issues for some time and this work is presented below using the TCFD structure to make it easier to find relevant information.

Governance

Climate-related risks and opportunities are included in the company's total risk management and business development work. The Board of Directors approves all policies, including the sustainability policy and risk management and internal control policy. Sustainability issues and risks are discussed at least at one Board meeting every year. The Executive Management approves Group targets, which include climate-related targets, and review and update the risk scenario for the company every year. Moreover, risks and opportunities are managed on a continuous basis in the line organization and in cross-functional networks. Every year, the company conducts a climate summary to assess fossil emissions in the value chain. The company also calculates its contribution to climate benefits on an annual basis using the model presented on sca.com. Read more about Corporate Governance on pages 71–81 and 141.

Strategy

SCA has identified a number of climate-related risks and opportunities. These have been integrated into SCA's sustainability platform and climate change is also a central component of SCA's business strategy. SCA has through its major forest assets and renewable products a strong potential to play a significant role in the transition to reduce fossil dependence. This offers SCA new business opportunities that can be developed and in parallel the company is striving to reduce

the impact of climate change, mainly within the area of forest operations. To provide access to renewable energy both internally and externally, SCA is working with energy efficiency measures, using its own biofuels and selling any surplus in the form of electricity, pellets, biofuels and district heating. Moreover, large-scale wind power production is being built on the company's forest land together with business partners. The company also works with the development of biofuel. Read more on pages 18–23, 45 and 49.

Risk management

Climate risks are part of the company's aggregated risk analysis, which is conducted every year and is regularly updated when necessary. Climate-related risks have primarily been identified in forest operations resulting from extreme weather conditions, drought and in access to fresh water. Political decisions linked to climate risks could also impact the company. Read more in the risk section on pages 66–69.

Metrics and targets

SCA's Group targets include a number of targets related to climate impact. SCA's climate benefit is to increase from 10 to 15 million tonnes of CO₂ between 2019 and 2030 and during the same period fossil emissions in the value chain are to be halved. The company is to implement energy efficiency measures totaling at least 50 GWh per year until 2025 based on energy consumption in 2020. Wind power installed on SCA's land is to increase to 11 TWh by 2025. Work to continue to improve resource efficiency by raising wood yield and by processing waste streams. This is done through local targets at the company's units and is part of the Zero waste target.

SCA also reports GHG emissions in accordance with Scope 1–2–3. Other key figures related to energy and resource use that concern climate change are also reported. Read more on pages 138–139, 148–149, 153–155 and 160–161.

VALUABLE FORESTS

Valuable forests



Responsible forest management

The forest forms the foundation for SCA's operations. All wood raw material used in SCA's products must originate from responsibly managed forests. The Group conducts responsible, long-term and profitable forest operations that generate a valuable raw material and contribute toward many other values. At the same time, the forest's conservation and recreational values must be maintained. SCA forest land shall, in the future, be at least as rich in biodiversity, nature experiences and raw material as it is today. Through our sourcing of wood raw material, SCA works systematically to ensure good working conditions and appropriate biodiversity conservation measures, even outside our own forests.

Forest processes are long. It takes almost a century for a planted tree to become mature enough for harvesting and many processes in nature take even longer. SCA's forest management planning extends across more than 100 years. Each harvested tree is replaced by at least two new trees. During 2020, SCA's nurseries delivered about 103 million seedlings, of which some 46 million were planted in SCA's own forests. SCA also offers planting after harvesting on the land of private forest owners and has introduced a regeneration guarantee whereby SCA takes full responsibility for the regrowth of the forest and conducts a regeneration control, at the latest, two years after the planting. This responsible and active forest management has resulted in SCA having well-managed forests, which contribute biodiversity and nature experiences, where increasing volumes of renewable raw materials are being harvested at the same time as standing volume is growing. Read more about how SCA conducts responsible forestry at sca.com.

Certified forest management

SCA's forests are certified in accordance with the international forest management certificate, Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certifi-

cation (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.

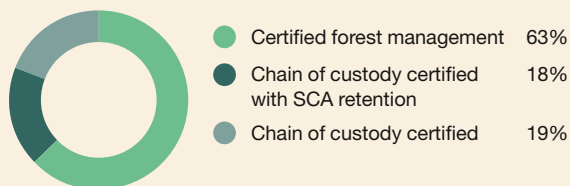
Responsible raw material sourcing

SCA works proactively with responsible forest management, partly through the management of its forest, and partly through the purchase of wood raw material from other forest owners. All wood raw material bought by SCA is covered by CoC certification and must at least fulfill the requirements of FSC's Controlled Wood Standard, FSC CW. This means the timber must not be from controversial sources, which includes illegally felled forests, forests with high retention values where these values are threatened by forest operations or forests where the rights of indigenous people or human rights are being violated. SCA's wood procurement is third-party certified according to PEFC and FSC Chain of Custody. SCA works actively to continuously increase the percentage of wood raw material from certified forests and encourages its external suppliers to certify their forest operations. SCA also encourages land owners to consider on-site retention when harvesting that corresponds to FSC's requirements (SCA retention). In 2020, 63% (52) of wood raw material consumed was from FSC or PEFC certified forest operations and 18% (15) was harvested by SCA on the land of private forest owners, with SCA retention. The remaining volume fulfills FSC CW. The increase in certified volume is mainly a result of a increased proportion from SCA's own forest.

Collaboration with reindeer husbandry

Some 50 Sami communities have customary right to herd reindeer on SCA's land. Consultations are held to facilitate cooperation and understanding of each other's needs, and cover issues such as the time for harvesting, site preparation, fertilization and choice of tree species when planting new forest. One important question for Sami communities is planting contorta pine. The contorta pine has

Responsible fiber sourcing



SCA's timber unit is responsible for sourcing wood raw material for the production of wood, pulp and paper products. The raw material sourcing is third-party certified according to PEFC and FSC Chain of Custody. The largest amount of raw material is derived from certified forest operations. All raw material from the company's own forests is included in this share. The remaining volumes are CoC-certified in

accordance with FSC CW, of which half is from felling where the proportion of forest set aside for nature conservation corresponds to FSC requirements (SCA retention). SCA encourages its external suppliers to certify their forest management to increase access to certified raw materials.

SCA's production facilities used 11.3 million (11.2) cubic meters of wood raw material in 2020. Almost all wood raw material is sourced from northern Sweden.

Country of origin, percentage of consumed	2020	2019
Sweden	96%	91%
Baltic states	1%	5%
Finland, Norway, Denmark	2%	2%
Poland, Scotland, Spain	1%	2%

VALUABLE FORESTS

a high growth rate and forms dense forest that can cause problems for reindeer herding. All planting by SCA in reindeer herding areas are preceded by consultations with affected Sami communities. Approximately 15% of the company's forest is made up of contorta pine and measures required in existing stands to facilitate reindeer herding are also handled through consultations.

In 2020, 120 (79) consultation meetings took place with 25 (34) Sami communities, with discussions concerning approximately 4,500 (7,500) forest compartments. The coronavirus pandemic severely restricted opportunities for consultation. The cancellation of consultation meetings meant decisions on forestry measures were postponed. During the year, a new consultation process was developed, together with representatives from Sami communities, within the framework of FSC's Swedish forest management standards. It includes an extended planning horizon and several measures are taken into consideration that enable coexistence between forest operations and reindeer herding in the forest landscape. The consultation process is based on the Free Prior and Informed Consent (FPIC) of indigenous peoples.

Biodiversity

The preservation of biodiversity in the Group's forests 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. SCA retains key biodiversity structures in all forest operations, also when managing forest areas that do not contain any particular conservation values. Forest is therefore set aside from harvesting in our ecological landscape plans, which SCA has developed for its entire holding. The ecological landscape plans have for many years included dialogue with the county administrative boards and the Swedish Environmental Protection Agency on the protection of forests.

In 2020, SCA introduced a new working approach to increase the precision of its 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. Of approximately 50,000 known species in Sweden, about 17,000 can be found in northern Sweden, where SCA's landholding is located, of which 7,400 live in forests. 982 of these are included

on the Red List, of which 685 are adversely impacted by forest operations. Of these species, 203 have a significant presence in SCA's landholding and are therefore designated as "SCA's species commitment". The focus for work moving forward is to ensure that the habitats used by these species are available in the company's forests.

During the year, SCA has identified habitats that are critical for each of the 203 species. A total of 400,000 hectares of the various habitats were acknowledged in SCA's ecological landscape plans, set-asides and non-productive land. In addition, 10% was identified and retained as such habitats in planned felling sites in 2020.

Further work is needed to clarify measures needed with regard to the different habitats. This serves as a basis for further work with instructions, follow-up and the need for additional research and knowledge building. For more information about SCA's work with biodiversity, see sca.com.

Habitats to protect biodiversity

Critical habitats for SCA's protected species	In ecological landscape plans ¹⁾		In felling plans ²⁾	
	Hectares	% of area	Hectares	% of area
1 Coniferous natural forest with tree continuity	53,200			0.7
2 Coniferous natural forest with dead wood continuity	42,700			0.7
3 Open sand pine forests with tree continuity	2,300			
4 Coniferous forest and leafy coniferous forest with tree continuity and nutrient-rich soil	700			0.0
5 Light pine forests with dead wood continuity	42,900			
5b Wooded non-productive land	126,000			
6 Hardwood forests containing dead wood	22,400			0.2
7 Fire sites	1,900			
8 Marshy, brook and riparian forest	53,400			8.0
8b Wooded non-productive land	53,900			
9 Living/dead trees in sunny environments				0.8
10 Location and species-specific conservation values	1,700			
Total	401,100			10.5³⁾

¹⁾ Identified habitats – area reserved or under nature retention management.
²⁾ Percentage of area identified and saved as habitats in detailed planning of felling sites.
³⁾ Of SCAs productive forestland, which corresponds to 8% of SCAs forestland.

Nature conservation area, status Dec 31, 2020

Nature conservation area in the form of	Number of hectares	% of productive forest land
Voluntary set-asides for promoting biodiversity ¹⁾	173,456	8.3 (8.3)
On-site retention in harvesting operations ²⁾	-	14.2 (12.7)
Total (over the rotation period of the forest)	22.5	(21.0)
In addition:		
Alternative forms of forest management	60,834	2.9 (2.9)

¹⁾ Shows the percentage of SCA's productive forest land that was included in ecological landscape plans at the end of 2020 for the purpose of promoting biodiversity. The voluntary set-asides are presented at <https://www.sca.com/sv/om-oss/var-skog/hitta-parlorna-i-vara-skogar/>.

²⁾ Shows the proportion of on-site retention in harvesting operations and pertains to an area of > 0.1 hectares of land within planned final felling operations on productive forest land.

Seen over a rotation period and the entire productive forest area, this means 22.5% of the forest is left untouched for nature conservation purposes.

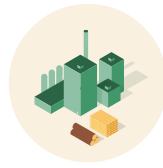
Alternative forms of harvesting are primarily various continuous cover forestry methods, such as single-tree selection, selective cutting and shelterwood.

Measures to promote biodiversity

Measures taken in 2020	Number of hectares	% of final felling area 2020
Biodiversity conservation measures in voluntary set-asides	567	2.5 (1.5)
Alternative (continuous cover methods) forms of harvesting outside voluntary set-asides	533	2.3 (2.2)
Prescribed burning for biodiversity conservation	121	0.5 (0.5)

The table shows forest management measures conducted in 2020 that have benefited biodiversity in relation to the harvested area within SCA's forest holding the same year. Various measures are implemented to recreate habitats and valuable substrates, with prescribed burning as one example. Burning takes place at both clearcut areas that are then regenerated and in forests set aside for nature conservation purposes. A conservation value assessment on site is carried out before all final felling and a complementary inventory is performed by personnel with specialist expertise in forests that may contain high conservation values.

Efficient use of resources



We use the entire tree

SCA is to conduct its operations in a manner that has the least impact on people, the environment and property, and to eliminate wastage, Zero waste.

SCA strives to make use of the entire tree and all parts of our 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. The bark is used in energy production.

In addition to finished goods, SCA's mills generates by-products, such as bark, and waste streams that contain, for example, lignin or metals 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. SCA is continuously striving to optimize its resource efficiency and energy performance by developing its processes, products and practices.

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 will also actively monitor their energy usage, set targets for improving their energy efficiency and take steps to realize the targets.

Product development and innovation

The company conducts structured innovation work in compliance with the strategic priorities. One important priority is to constantly increase value creation of the forest raw material, partly through greater utilization of raw materials and production efficiency and partly by moving the product portfolio to increase added value. Innovation work leads to greater customer value through the development of new products and application areas that improve climate benefit and resource efficiency through forest-based products.

One example from 2020 is a digital color selector that was launched in the SmartTimber concept and helps customers simulate and order the desired product. Other examples include the development of pulp grades in the premium segment, regeneration guarantee as a service for private forest owners for more reliable replanting and the digitalization of maintenance to optimize maintenance intervals and save energy.

Life cycle perspective

One important tool in SCA's corporate responsibility work is the Resource Management System (RMS). This system monitors resource consumption and environmental impact for production facilities, transportation of raw materials and finished products. Using life cycle assessments, the climate and environmental impact of the Group's products can be calculated and evaluated.

Calculations show that SCA's products already today have a small carbon footprint. The greatest climate effect is achieved by using the Group's products to replace other products with a larger carbon footprint.

Product safety

SCA wants to ensure safe and high-quality products and services for its customers and consumers, produced and delivered with respect for people and nature. Products must be safe for the user and for the environment and meet the customers' and authorities' product safety requirements. In product and process development, the precautionary approach is used.

Raw materials and chemicals used in the products or in the company's operations are continuously assessed and SCA's Supplier Standard places high demands on the product safety of input goods. Based on available knowledge, we work actively to identify and replace any products that must be substituted. The work is coordinated through the Group's Chemicals Management Network.

Raw materials

The foundation for SCA's products is fresh wood fiber. In addition, smaller quantities of recovered fiber and inorganic material are used in the form of kaolin clay and calcium carbonate in the manufacture of various paper products. Moreover, a small amount of fossil organic material is used in chemical additives. 52% (48) of wood raw material used is sourced from SCA's own forest and own sawmills.

Recovered fiber

SCA is actively working to recover fiber. Kraftliner is a fresh fiber-based paper product mainly used in the outer, smooth layers of corrugated board boxes. Kraftliner is used in very demanding packaging, for example packaging for long transport distances, heavy goods, humid conditions or with special requirements for purity. In addition to fresh fiber, small amounts of carefully selected recovered fiber is used in manufacturing certain grades. Fresh fiber is renewable and together with recovered fiber form a circular system that needs a continuous inflow of fresh fiber. The fibers can be recycled 5–7 times which makes an important contribution to a circular economy.

Water

SCA endeavors to reduce the use of fresh water and the occurrence of substances in process water that impact the environment and to improve the purification of water that is released back to nature. SCA's plants are located in areas with plentiful supply of water and the supply of water is almost exclusively, 99%, from surface water. The remaining water is from municipal water systems. SCA monitors consumption, using inspection and control programs to monitor and improve the quality of effluent water. Almost 100% of all water used is returned to the recipient. The greatest share, 66%, is used as cooling water and has no contact with the process. In the production processes, water is mainly used to transport fiber and is reused several



EFFICIENT USE OF RESOURCES

times before it is mechanically treated and undergoes biological treatment. Effluent water from pulp and paper mills is, after treatment, discharged into the Baltic Sea.

Energy

Calculations for energy use at a production facility include purchased energy (heating, electricity and fuel), energy generated from wood, liquor, bark, sludge and waste paper, and self-produced electricity. A large portion of the energy used by SCA comes from the incineration of wood residuals and from electricity produced through co-generation. Fuel consumption at SCA is 95% (95) fossil-free.

Any self-produced electricity that is not used internally is supplied to the national grid. SCA also delivers energy to the district heating system by utilizing secondary heat from the process and in this way replaces fossil fuels at municipal heating plants.

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 50 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. Within the scope of ESAVE, energy surveys are conducted that are used to set targets and prioritize measures. All new equipment should be energy efficient by design. In 2020, SCA had seven units subject to the EU Emissions Trading System (EU ETS).

SCA almost only buys and sells thermal energy as heat. In 2020, 1,183 TJ (1,675) was sold externally and 450 TJ (473) was purchased. 78 TJ (182) of energy sold was steam. No cooling was purchased or sold.

Transportation

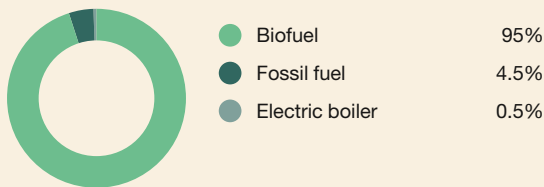
Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses ships, rail and road transportation depending on distance and the transport systems accessibility, in order to achieve the lowest climate impact. The choice of fuel is reviewed as renewable fuels become more available.

The largest share of transportation is conducted by ship with SCA-owned RoRo vessels, chartered container ships or other cargo ships. SCA uses external suppliers for most of its road transports. Great emphasis is placed on maximizing load utilization in trucks and ships, to minimize energy use and transport emissions. Heavy vehicles, known as 74-tonne vehicles, contribute to more efficient transportation with lower emissions. 74-tonne vehicles are used for timber transportation if possible. However, the transition is restricted by the bearing capacity of certain road bridges.

A large portion of air emissions are generated by transportation. SCA works to reduce emissions by increasing the fill ratio, training in ecodriving, applying various techniques to reduce fuel consumption, and prioritizing transport means with less environmental impact.

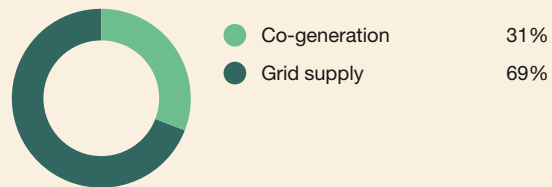
Transportation by rail is a carbon-efficient mode of transportation, which is prioritized where this is possible. The proportion of timber transportation by rail has increased in recent years. However, access to a reliable railway network limits options. For finished goods, block trains are used to transport kraftliner between Piteå and Umeå and onward to the central warehouse in Skövde. The northbound block trains transport recovered fiber, which is used as raw material in production. This approach means the block trains are fully loaded in both directions.

Distribution of fuel supply



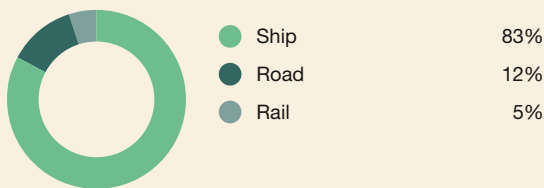
In 2020, SCA's fuel consumption, including purchased electricity for steam production, was 95% fossil-free. Electricity purchased from the Swedish national grid is considered 97% fossil-free (according to IEA). Refers to Swedish production facilities.

Distribution of electricity supply



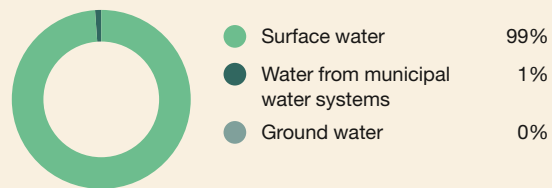
SCA's plants in Sweden generate electricity using co-generation. The remainder is purchased from the national grid. The expanded Östrand pulp mill generated a surplus of electricity that is sold externally. SCA is currently a net purchaser of electricity.

Distribution of transport work



Sales to other continents have fallen slightly, which has led to a minor decrease in the proportion of ship transports. For land transportation, approximately one third is conducted by rail.

Distribution of water supply



Almost all of SCA's water is from surface water sources, such as large rivers. Almost all water used is returned to the recipient.



EFFICIENT USE OF RESOURCES

Emissions to air and water

The company's total emissions are influenced by the level of production, product mix and uniform production. SCA's production facilities possess environmental permits, which regulate emissions. 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, NO_x, SO₂ and fossil CO₂.

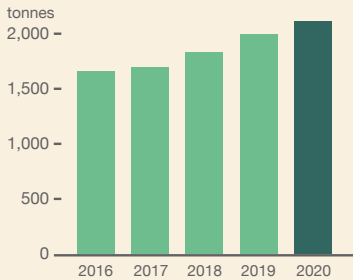
SCA's effluent water is divided into cooling water and process water. Cooling water, which constitutes 66% of water usage, has only been heated and has not been in contact with the process flow. Effluent water is mechanically treated to remove suspended solids, sand and particles, and the subsequent 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.

Waste and waste streams

Minimizing waste is one of the interim targets of the Group target Zero waste 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.

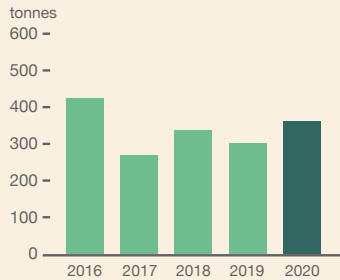
Only a small quantity of material used, approximately 0.2% of the produced product, that cannot currently be reused, is sent to landfill or is hazardous waste. Hazardous waste is primarily waste oil. It also includes organic solvents, batteries and strip lights. Materials that are currently sent to landfill include "lime gravel". SCA is striving to minimize these fractions.

Emissions to air from industry, NO_x



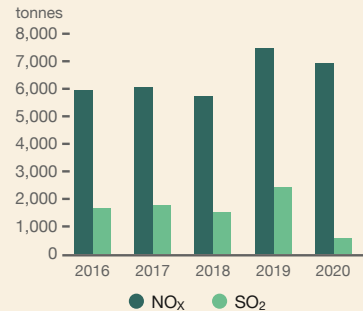
Emissions of nitrogen oxides from SCA's industries rose in 2020 due to an increase in oil consumption and higher pulp production.

Emissions to air from industry, SO₂



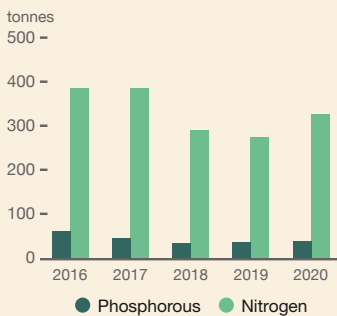
Emissions of SO₂ from SCA's industries rose in 2020 due to an increase in oil consumption and higher pulp production.

Emissions from transport activities, NO_x and SO₂



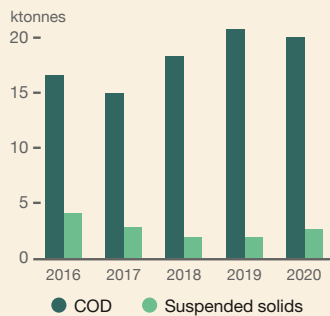
SO₂ emissions are reduced due to the new global regulations from 2020 that mean sulfur levels in marine fuels must not exceed 0.5%. Prior to this, a limit was only in force in the Baltic Sea and North Sea of 0.1%.

Water effluents from industry, phosphorous and nitrogen



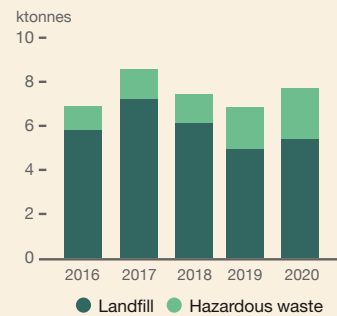
Emissions of phosphorous and nitrogen rose in 2020 due to operational problems with the wastewater treatment facility at Obbola paper mill. Work to tune the Group's wastewater treatment facilities continues.

Water effluents from industry, COD and suspended solids



In 2020, COD decreased compared with 2019. Emissions of suspended solids rose in 2020 due to operational problems with the wastewater treatment facility at Obbola paper mill.

Hazardous waste and waste to landfill



Of the total volume of material handled by SCA, only a small quantity becomes waste. Almost all waste is recycled (94%). A small quantity, (4%), is sent to landfill or treated as hazardous waste (2%).

RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

Responsibility for people and the community



SCA aims 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 for nature. SCA is a responsible company that participates in the progress of society and cares about people and the community.

Healthy and safe work environment

SCA's most important goal is that all employees, and everyone who enters the company's sites, should return home healthy and unharmed after work. The Group's aim is zero workplace accidents. SCA's Health and Safety Policy describes the Group's health and safety culture. Health and safety work at SCA's larger units is certified in accordance with ISO 45001 (previously OHSAS 18001).

SCA has gathered the work to achieve the zero vision under the name ZERO. This work was initiated by and reported directly to the President and CEO. The ZERO program is developing a shared health and safety culture, training leaders, engaging in dialogue on safe and unsafe behavior and encouraging all employees to become involved and active. ZERO also includes shared procedures and a uniform structure for systematic follow-up, evaluation and reporting. "Safety performance reviews" were carried out at two large facilities together with external experts and have been used as a basis for priorities in work moving forward. The target of zero workplace accidents has been supplemented with achieving a mature (interdependent) health and safety culture corresponding to the definition used in the Bradley Curve™ developed by DuPont.

SCA is proactive in identifying and addressing shortcomings and risks, reporting and analyzing events that have occurred to identify the underlying causes and implementing measures to

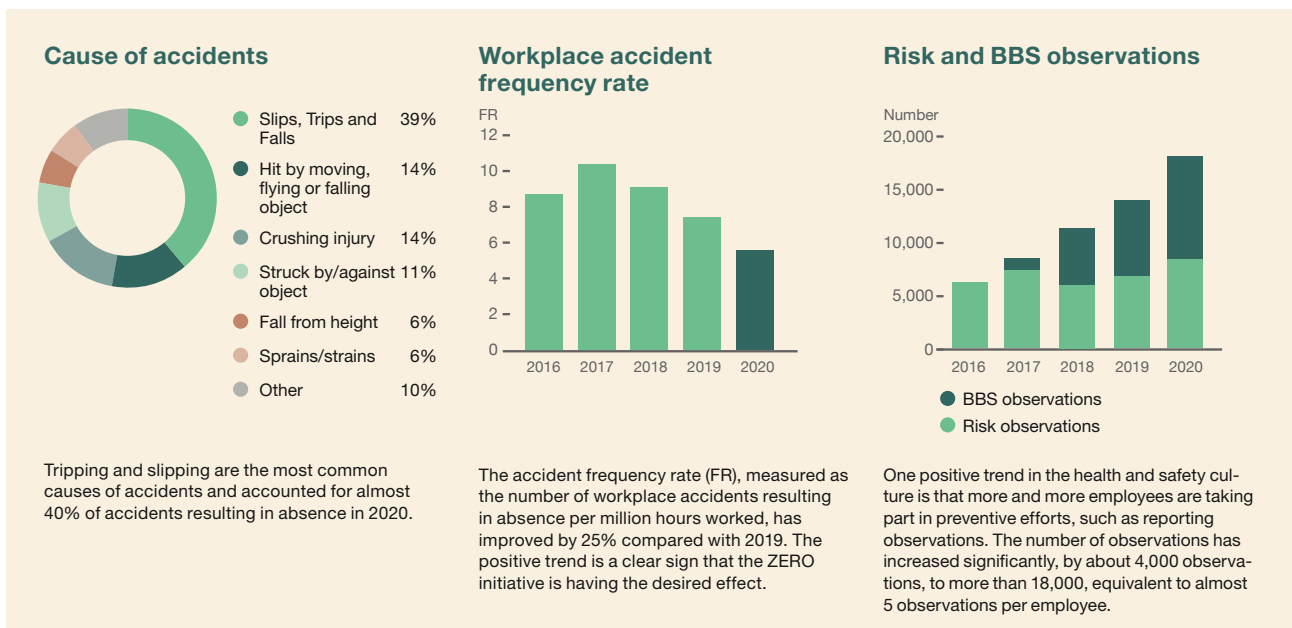
prevent similar incidents in the future. Lessons learned from events that have occurred will be shared with the other units within the Group. Every employee has the right to stop work if the situation is perceived as unsafe. Each unit has a clear safety organization, local targets and action plans.

SCA conducts training initiatives with regard to health and safety. More than 60 managers, safety officers and others who are active in improving the work environment received training to create a better work environment (BAM) and more than 500 employees were trained in behavior-based safety (BBS), a methodical and simple approach to alert each other to work safely. There are also local initiatives that promote healthy living and a safe work environment.

All SCA employees have access to occupational health services that provide work-related health services and proactive work in health and well-being. The occupational health service provider works on a strictly confidential basis and also conducts random drug tests.

In 2020, 36 (49) workplace accidents took place resulting in absence, which is a reduction of approximately 25% compared with last year. The most common causes of accidents were slips, trips and falls. The next two groups of most common causes of accidents were injuries caused by a crushing and hit by moving, flying or falling object.

The number of days of absence due to workplace accidents has decreased to 8 days (11) per accident in 2020 and a total of 310 (567) days for the year. A small number of accidents accounts for





RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

a large share of absence. In 2020, tripping accidents resulted in the longest absence. As part of preventive efforts, 18,079 (13,964) risk and BBS observations were reported.

Covid-19

2020 was in many ways an exceptional year due to the coronavirus pandemic, which has affected us all. Health and safety have always been a top priority at SCA and the company was therefore quick to introduce restrictions and measures to avoid the spread of the virus at workplaces, protect risk groups and safeguard operations. The company made adjustments to critical functions, divided working groups and implemented action plans for remote working. In production, the company has adapted workplaces and procedures to minimize the risk of infection.

Of course, SCA has also had employees who tested positive for Covid-19, but total sickness absence during the year was at a normal level. Production and customer deliveries were maintained in a satisfactory manner. SCA also performed three major maintenance stops without increasing infections at our workplaces or in local communities.

Due to the uncertainty surrounding the impact of coronavirus on the global economy and on SCA's operations, SCA decided not to pay a dividend to shareholders for 2019. The pandemic also impacted other areas of SCA's products and raw materials. Demand for hygiene articles, such as toilet paper, increased sharply at the start of the pandemic, but then decreased by a similar amount, and during the year has returned to normal levels. Demand for construction materials rose sharply during the year. This was the case in the Nordic region, but also many other locations around the world.

Employee relations

Employees have representatives on the Board and in various networking groups to work together with the company to improve and develop operations. In the event of major changes, an impact assessment is performed.

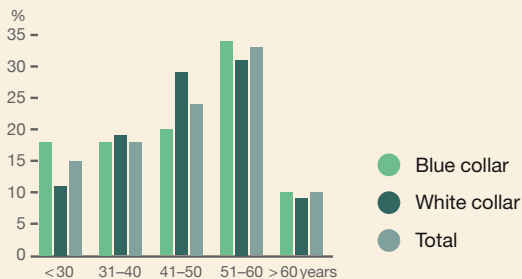
All Employee Surveys, where employees can take part, are held regularly. Action plans are drawn up based on the results of these surveys to develop SCA. The survey was completely digital in 2020 with a response rate of more than 80%. Employees also took part from segments of the Group that are being discontinued. The results indicated good commitment, a focus on health and safety and goals, as well as positive progress for leadership and team work.

All employees in Sweden, with the exception of the Executive Management Team, are covered by collective agreements. The percentage for the Group as a whole is 92%. Working hours are regulated in laws and agreements and through internal guidelines for availability.

Diversity and inclusive culture

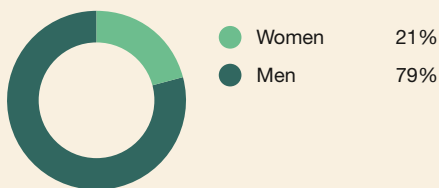
SCA stands up for the equal value of every person and respect for each other. It fosters cooperation and allows us to develop, as people and as a company. The principles for the company's work in the field are detailed in SCA's HR Policy and procedures for victimization. The equal opportunity plans, which include practical activities at unit level, are prepared and followed up on an annual basis. The company also developed a discussion tool to facilitate and encourage dialogue on topics and situations that can occur in day-to-day activities. By spotlighting and talking about dilemmas, SCA's employees can work to create an even better workplace.

Employee age distribution for the Group



The age structure has not changed to any great extent compared with 2019. Refers to permanent staff at the end of the year.

Distribution women and men in total for the Group

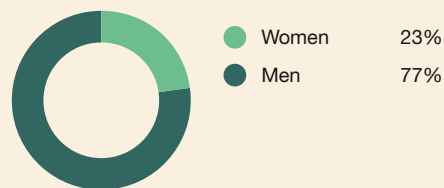


The share of women in total in the Group amounts to 21%, which is a small increase compared with 2019.

Active work for inclusion and attractiveness as an employer. Examples include:

- A living Code of Conduct through training and discussion tool for dialogues about values.
- Introductory training for all new employees for a shared set of values and inclusion.
- Greater gender balance among summer workers. Wood, Forest and Sourcing & Logistics all reached a level of more than 44% women.
- Scholarships at Mid Sweden University, participation in labor market fairs as well as higher visibility in social media.
- Summer temporary job whereby a university student tested working as manager for SCA Underhåll (Maintenance) for eight weeks.
- Early career program, trainee program, two-thirds of participants are women.
- A large number of work placements, though a smaller number in 2020 due to the coronavirus pandemic.

Distribution women and men in management positions for the Group



The share of women in management positions, members of management teams, amounts to 23% (compared with 19% in 2019 and 21% in 2018).

To increase diversity, the company is also working to broaden its recruitment base by changing the style of its recruitment ads, a Group-wide recruitment function and through interaction with high schools, higher education and universities. For example, SCA Forest is taking part in the "Projekt jämställdhet i skogsbranschen 2020–2022", a gender equality project in the forest industry, together with Holmen Skog, Norra skogsägarna, LRF, the county administrative board and the Swedish Forest Agency. One goal has also been to achieve greater gender balance among summer workers.

Competence supply and development

The need for training is identified based on the needs of the unit and the individual to meet future challenges in the best way possible. SCA offers continuing training according to the 70-20-10 model, meaning respectively practical training in the work situation, coaching and formal education. The training courses are conducted, for example, in leadership, work environment, business ethics and in specific competencies. SCA also takes part in the development of training courses in professions with a shortage of labor, such as machine operators. Furthermore, SCA offers practical workplace experience and summer jobs in offices, industrial plants, nurseries and in forest operations. This provides a good and important base for SCA's supply of skilled employees, at the same time as young people are offered important work experience. In 2020, 386 young people had summer jobs at SCA.

SCA collaborates with schools in order to secure the industry's attractiveness and the long-term supply of competent employees. SCA participates in the "Skogen i Skolan" program, which aims to increase knowledge and awareness of the forest and forest industry among students and teachers, "Tekniksprånget," a nationwide placement program for senior high school students who studied natural sciences and technology programs to increase interest in pursuing the engineering profession, and "Jobbsprånget" to help newly arrived academics to enter the labor market.

Employeeship and leadership

SCA strives to offer every employee an opportunity to develop to their full potential and to work in an atmosphere of respect and trust. All employees are given annual appraisal reviews to follow up performance and job satisfaction, define areas for improvement and personal targets. All new employees are given introductory training and have a personalized introductory plan.

All managers take part in a one-day introduction to SCA's leadership platform that also encompasses SCA's strategy and the company's expectations for its leaders. Moreover, a number of programs will be conducted in change management and shorter courses in rehabilitation and work adaptability, recruitment, target and performance reviews and basic labor law. In 2020, a total of 99 managers took part in these activities.

Community engagement

In accordance with SCA's guidelines for community engagement, the company prioritizes initiatives with a clear link to SCA's values, strategic priorities, expertise, operations and geographic presence. SCA's community engagement shall be politically and religiously neutral. To remain relevant, today and in the future, SCA must evolve in harmony with the communities of which the company is a part. Social challenges can serve as a source of innovation and development for SCA's business models and product offerings.

SCA engages in continuous dialogue with various stakeholders about how the Group can contribute to the positive development of society. This includes meetings and dialogue with municipal representatives, local residents, reindeer herding Sami and people who live close to SCA's facilities. The Group sponsors local associations, hold regular talks with recruitment agencies and employment offices and collaborates in various ways with universities and colleges in Northern Sweden.

SCA contributes to the local economy in the municipalities in Northern Sweden where the company conducts operations. Of SCA's more than 4,100 employees in 2020, 93% were employees in Sweden and the remaining 7% mainly in Europe. The percentage employed outside of Sweden will decrease following the divestment of the UK operations in the Wood business area in December 2020. In addition to direct payments, in the form of various taxes, SCA generates the preconditions so that trade, services and public services can continue to exist in smaller rural communities. SCA's industries, where one very important element of the supply of raw material is the purchase of timber from private forest owners, create jobs in rural areas, both directly and indirectly. SCA's forests, not least the forest roads SCA builds, contribute toward ecotourism, hunting and fishing. In combination, these operations create an opportunity for people to live and work in areas such as the inland region of Norrland.

The proximity between SCA's research and development unit and Mid Sweden University in Sundsvall contributes toward several interesting research and innovation projects in the region and attracts research competence. SCA has collaborated with IBM, RISE Processum and BizMaker in the Forest Business Accelerator for the development of startups with forest-related business concepts. Since starting in 2017, 24 startups have taken part in the accelerator program.

SCA's community engagement

During 2020, the coronavirus pandemic has impacted many of the activities that the company normally participates in or organizes.

Examples from 2020

- University partnerships to use AI technology for safer maintenance aimed at reducing the risk of accidents.
- Kalla Champs was held, but adapted. The aim was to encourage young people to move around and improve their health through outdoor activities in the forest.
- The transformation of a former landfill area into a bird area at the mouth of the Ume River to promote biodiversity, carried out together with partners.
- Collaboration with the Swedish Forest Agency to assess continuous cover forestry on trial sites at one of the company's retention parks.
- Supporting associations and local community engagement in sport, culture and other areas.
- Planting training for unemployed people. Some 40 people took part in a one-week training course and could then apply for work as a forest planter.



SOCIAL DATA

Social data for the SCA Group

The table shows aggregated data at Group level for operations that were part of the Group during that year. Data for the construction material operations in the UK in the Wood business area are included for the part of 2020 when SCA owned the operations, see the About the Sustainability Report section for more information.

	2020	2019	2018
Average number of employees	4,196	4,253	4,216
Number of employees¹⁾	3,829	4,118	4,121
of whom men	3,017	3,324	3,358
of whom women	812	794	763
Number of temporary employees ¹⁾	422	433	410
of whom men	281	307	306
of whom women	141	126	104
Number of part-time employees ¹⁾	77	89	93
of whom men	49	52	57
of whom women	28	37	36
Age distribution			
<21 years old	0%	0%	0%
21–30	15%	15%	14%
31–40	18%	18%	19%
41–50	24%	25%	26%
51–60	33%	33%	32%
61+	10%	9%	9%
Employee turnover²⁾	14%	6%	8%
of which retirement and restructuring ³⁾	10%	2%	2%
of which other	4%	4%	6%
Gender equality			
Share of women on the Board of Directors (excluding appointed by employees)	33%	40%	40%
Share of women on the Board of Directors (including appointed by employees)	36%	38%	38%
Share of women in the Executive Management Team	25%	17%	17%
Share of women, in management positions ⁴⁾	23%	19%	21%
Share of women, all employees	21%	19%	19%
Share of women, white collar	34%	32%	32%
Share of women, blue collar	12%	10%	10%
Health and Safety			
Absence due to illness total	3.9%	3.1%	3.5%
Number of workplace accidents resulting in absence, LTA (of which non-Swedish units)	36 (5)	49 (5)	60 (10)
Number of workplace accidents among contractors, CLTA ⁵⁾ (of which fatal accidents)	24 (0)	17 (0)	33 (2)
Number of working days lost due to workplace accidents, DLA ⁶⁾	310	567	1,044
Workplace Accident Severity Rate, ASR, measured as days of absence/LTA	8.6	12.0	17.4
Workplace accident Frequency Rate, FR, (LTA/1,000,000 WH)	5.6	7.4	9.1
Fatal accidents	0	0	0
Total Recordable Incidents, TRI ⁷⁾	124	164	171
Number of hours worked, million hours	6.48	6.59	6.60

¹⁾ Refers to employees on December 31.

²⁾ Refers to permanent staff.

³⁾ For 2020, 7 percentage points pertains to the divestment of construction material operations in the UK.

⁴⁾ Refers to members of management teams.

⁵⁾ Refers to contractors who perform work at SCA's facilities, in forestry operations or conduct transport activities.

⁶⁾ Absence from day 1 after the accident.

⁷⁾ Includes all accidents resulting in absence (LTA), alternative work duties (RWC) and medically treated accidents (MT). Outcome for 2018 is not verified based on the definition.



ENVIRONMENTAL DATA

Environmental data

The table shows environmental data for SCA's production facilities, where SCA's holding is at least 50%. The report is more extensive than what is covered in text and charts. Divested operations includes operations that SCA no longer owns. The construction material operations in the UK are included in divested operations for 2019 and 2020.

		Total SCA			Total Pulp and paper mills		Total Wood and Energy		Ortviken paper mill		Östrand pulp mill		Munksund paper mill	
		2020	2019	2018	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
PRODUCTION														
Paper, pulp and pellets	ktonnes	2,434	2,460	2,178	2,245	2,273	189	187	581	696	839	761	385	369
Timber and solid-wood products	1,000m ³	2,285	2,386	2,370			2,285	2,386						
ENERGY														
Electricity														
Co-generation	GWh	852	1,006	731	852	1,006	0	0	45	65	600 ²⁾	611 ²⁾	114	178
Grid supply	GWh	1,915	2,078	2,225	1,737	1,893	178	185	1,265 ¹⁾	1,552 ¹⁾	9	8	223	152
TOTAL	GWh	2,767	3,083	2,956	2,589	2,898	178	185	1,310	1,616	609	619	337	330
Fuels														
Biofuel	TJ	32,679	31,879	27,059	30,436	29,416	2,243	2,463	2,250	2,653	17,770	16,325 ⁶⁾	6,044	5,986
Fossil fuel	TJ	1,562	1,674	2,005	1,344	1,519	218	154	185	290	658	715 ⁶⁾	125	142
Electric boiler	TJ	219	168	177	219	168	0	0	162	99	0	0	56	69
TOTAL	TJ	34,460	33,721	29,241	31,998	31,103	2,461	2,618	2,598	3,043	18,428	17,040⁶⁾	6,226	6,196
of which co-generation	TJ	7,413	7,431	3,024	7,413	7,431	0	0	201	291	6,380	5,818 ⁶⁾	443	680
EMISSIONS														
To air														
NO _x as NO ₂	tonnes	2,106	1,995	1,831	2,010	1,891	97	104	149	165	1,161	1,043	428	400
SO ₂	tonnes	360	300	337	345	290	15	10	26	23	165	100	122	134
Dust	tonnes	260	233	221	194	165	66	68	10	18	129	99	30	17
CO ₂ fossil	ktonnes	120	127	153	104	116	16	11	13	21	51	56 ⁶⁾	9	10
CO ₂ fossil, grid electricity	ktonnes	27	27	27	24	24	3	4	17	19	0	0	3	2
CO ₂ biogenic	ktonnes	3,464	3,383	2,846	3,239	3,137	226	246	216	271	1,909	1,750 ⁶⁾	642	639
To water														
COD	tonnes	20,063	20,730	18,266	20,063	20,730	0	0	3,084	3,723	8,461	9,377	6,975	6,628
BOD	tonnes	3,948	3,916	3,939	3,884	3,847	64	69	79	77	745	899	2,830	2,758
Suspended solids	tonnes	2,628	1,873	1,892	2,627	1,871	1	2	142	119	954	782	876	804
AOX	tonnes	24	28	15	24	28	0	0	2	2	19	20	2	3
Phosphorous (P)	tonnes	37	35	34	36	34	1	1	3	2	16	18	6	5
Nitrogen (N)	tonnes	325	274	290	322	271	3	3	56	66	167	119	42	44
Effluent water (process water)	Mm ³	50	46	40	50	46	0	0	12	12	17	19	16	9
Solid waste³⁾														
Landfill	tonnes	5,394	4,947	5,946	4,089	3,470	1,305	1,477	12	4	33	21	1,492	2,918
Recovery	tonnes	127,303	143,289	122,271	113,668	130,299	13,635	12,989	20,707	27,042	52,070	62,253	9,044	12,427
Hazardous waste	tonnes	2,310	1,878	1,357	1,433	1,360	878	518	204	206	520	391	230	97
RAW MATERIALS AND SOLD BY-PRODUCTS (GROUP TOTAL)														
Raw materials		2020	2019	2018	External sold by-products					2020	2019	2018		
Wood and sawmill chips	ktonnes	4,600	4,600	4,000	Electricity	TWh		0.42	0.35	0.02				
Purchased pulp	ktonnes	0	0	0	District and waste heat	TWh		0.33	0.47	0.50				
Recovered paper	ktonnes	272	292	289	Solid biofuels ⁵⁾	TWh		1.7	1.9	1.5				
Inorganic material	ktonnes	165	199	198	Tall oil, turpentine	ktonnes		50	38	20				
Organic fossil material	ktonnes	8	10	10										
Water ⁴⁾	Mm ³	142	145	93										

¹⁾ The largest share of electricity consumption is used to manufacture TMP pulp and is recycled as steam.

²⁾ Figure refers to electricity consumed from co-generation. Surplus electricity is sold externally and recognized in the table External sold by-products.

³⁾ In 2020, 7,067 tonnes of construction waste was also created by the expansion project in Obbola, of which 70% was recoverable.

⁴⁾ The rise in water consumption between 2018 and 2019 was due to an increase in pulp production and largely consists of cooling water for steam turbines.

⁵⁾ Including volumes from operations where SCA has total responsibility for sales.

⁶⁾ The outcome of 2019 was based on a standard calculation for the turbine's fuel consumption in the start-up phase. The outcome for 2019 has been updated after the actual efficiency was measured in 2020.



ENVIRONMENTAL DATA

Obbola paper mill		BioNorr Härnösand		Building materials Stugun		Building materials Tunadal		Bollsta sawmill		Gällö sawmill		Munksund sawmill		Rundvik sawmill		Tunadal sawmill		Divested operations	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
441	447	166	167	23	20														
				92	97	90	85	534	549	335	341	326	376	267	291	510	521	132	124
92	152	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
240	181	30	31	6	6	4	3	40	40	17	17	23	26	18	20	35	36	4	6
333	333	30	31	6	6	4	3	40	40	17	17	23	26	18	20	35	36	4	6
4,371	4,452	415	422	6	7	1	2	581	659	289	261	399	441	223	266	327	405	0	0
376	372	1	2	0	0	0	0	69	49	0	0	13	24	4	4	121	66	9	10
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,747	4,824	417	424	6	7	2	2	650	707	289	261	412	465	228	270	448	471	9	10
389	642	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
272	283	0	0	1	1	0	0	48	57	22	19	6	6	14	13	6	7	0	0
32	32	0	0	0	0	0	0	2	1	0	0	1	3	0	0	12	6	0	0
26	31	55	53	0	0	0	0	3	6	0	0	0	0	8	8	0	0	0	0
30	29	0	0	0	0	0	0	5	4	0	0	1	2	0	0	9	5	1	1
3	2	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	2
472	478	40	41	1	1	0	0	56	63	28	25	38	42	32	35	31	39	0	0
1,543	1,002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
230	114	0	0	0	0	0	0	64	69	0	0	0	0	0	0	0	0	0	0
654	167	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	8	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0
58	42	0	0	0	0	0	0	3	3	0	0	0	0	0	0	0	0	0	0
6	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,552	527	29	1,285	0	0	0	0	1,201	2	12	7	10	12	0	0	50	0	3	171
31,846	28,577	182	0	140	127	284	94	3,347	2,891	1,318	865	73	83	8,094	8,818	196	112	0	0
479	667	395	171	7	85	4	2	266	78	8	12	15	11	47	57	135	102	0	0

AOX Absorbable organic halogens
CO₂ Carbon dioxide
COD Chemical oxygen demand

BOD Biochemical oxygen demand
NO₂ Nitrogen dioxide

NO_x Nitrogen oxides
SO₂ Sulfur dioxide



About the Sustainability Report

SCA publishes a sustainability report each year. The latest report was published in March 2020.

In June 2017, the hygiene business was distributed in the form of the listed company Essity. Comparable data from 2016 and previous years in this report is from the business unit SCA Forest Products in the former SCA. In 2020, operations in the Wood business area were divested in the UK and is included in the report until the ownership change on December 1, 2020. The decision to discontinue publication paper production in Ortviken will impact results in 2021. For other events during the year, refer to the Board of Directors' Report.

Sustainability work is integrated into the Group's operations and the Sustainability Report in accordance with the Annual Accounts Act constitutes part of SCA's Annual Report for 2020. Areas covered by the legislative requirements are clarified in the Board of Directors' Report. The Sustainability Report was submitted to the external auditor together with the Annual Report, refer to the auditor's report.

SCA's 2020 Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core option. The sustainability information in the Annual Report was reviewed by external auditors, see the Auditor's Report.

SCA has not taken a decision to join the Task Force on Climate-related Financial Disclosures (TCFD) initiative. Reporting by the company partly covers TCFD's recommendations, see the TCFD section under Fossil-free world on page 150.

The sustainability report also contains information about how SCA works with the UN Global Compact's Ten Principles in the areas of human rights, working conditions, the environment and anti-corruption.

Boundary of the report

The Sustainability Report covers the SCA Group, including wholly owned subsidiaries and subsidiaries in which SCA owns at least 50% of the company, see Note F1 under Financial notes. If SCA owns 50% or more of a company, the entire company is included in the report. Divested and acquired operations are included for the part of the year the operations were owned by the company. Environmental data and resource use is stipulated for the manufacturing units, meaning for pulp and paper mills and for sawmills, building materials and pellets manufacturing. Social data is stipulated for the entire Group and pertains to own employees unless otherwise stated.

As the report is prepared in accordance with the GRI Standards, the materiality principle has had great significance. This means that the report's content is determined by the issues that are most relevant to SCA and its stakeholders, and that the content provides a complete view of the operations. The choice of GRI disclosure numbers is based on the materiality analysis conducted, see the Materiality analysis section.

Data collection

Data provided in the Report is compiled through various systems, primarily the Group's accounting system, Resource Management System (RMS), forest planning systems, SCA's HR system and Afa's Occupational health and safety information systems (the IA systems). Since assumptions and conversion factors may be required for certain calculations, this entails a source of uncertainty. SCA strives to obtain data that is as reliable as possible.

The RMS system describes how the company uses energy, water, transport and raw materials and generates waste and emissions. RMS data is used for internal control, monitoring and analysis, life cycle assessments and external benchmarking. RMS data is reported at unit level using direct measurements and inventories.

Energy consumption is calculated in various ways, for example through direct measurements of consumption or by calculating based on fuel consumption. The conversion factors used are obtained from suppliers or from literature.

For most CO₂ emission calculations, SCA applies the global standard Greenhouse Gas Protocol to measure, manage and report CO₂ emissions. For other environment data, SCA applies recognized measurement and calculation standards, including the Swedish Standards Institute, the Swedish Environmental Protection Agency and the International Energy Agency's factors. The climate impact is stated in the Annual Report as CO₂ and refers to CO₂e unless otherwise specified. The company's climate benefit were quantified on the basis of the model published by SCA in 2019 and presented on sca.com.

Emissions from transportation are calculated based on total transport performed per mode of transport for delivered products, raw materials and input goods. Emissions are calculated by multiplying transportation per transport mode (expressed as tonne kilometers) by typical emission factors for the different modes of transportation. The emission factors used are based on data from the Network for Transportation Measures (NTM) (www.transportmeasures.org). For transportation with SCA's RoRo vessels and container-feeders, the actual fuel consumption and load utilization is used.

Personnel-related data is mainly provided by SCA's HR system. Supporting qualitative data is gathered in SCA's database for sustainability data. The IA system is used for reporting and following-up work-related injuries and incidents at every unit within the Group. Reporting also encompasses contractors who conduct work on SCA's sites. The system is also used for preventive reporting of risk observations. A new system has been developed by SCA to report observations of safe and unsafe behavior, BBS, as an aid to develop a health and safety culture in the company. The statistics are aggregated to Group level.

When adjustments have been made compared with earlier years, a note is made directly beside the chart or table.



SIGNATURES

Signatures

The Board's assessment is that the dividend to shareholders in the proposed amount, in accordance with Note PC13, see page 134, is justifiable taking into account the requirements, on both the company and the Group, the nature of the business, its scope and risks place on the size of equity and also considering consolidation requirements, liquidity and other status. The financial position remains strong after the proposed dividend and is considered sufficient to ensure that the company can fulfill its short or long-term obligations, and has the opportunity to make any necessary investments.

The Annual and Sustainability Report and the consolidated financial statements have been approved for publication by the Board of Directors on March 11, 2021. The Group's income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for approval at the Annual General Meeting on April 15, 2021.

The Board of Directors and President and CEO declare that the consolidated financial statements have been prepared in accordance with

the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's financial position and results of operations. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report also contains the Group's and Parent Company's sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 65, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 168–169.

Sundsvall, March 11, 2021

Pär Boman
Chairman of the Board

Per Andersson
Acting Board member,
appointed by the employees

Charlotte Bengtsson
Board member

Roger Boström
Board member,
appointed by the employees

Lennart Evrell
Board member

Annemarie Gardshol
Board member

Martin Lindqvist
Board member

Bert Nordberg
Board member

Anders Sundström
Board member

Barbara Milian Thoralfsson
Board member

Johanna Viklund Lindén
Board member,
appointed by the employees

Ulf Larsson
President and CEO,
and Board member

Our audit report was submitted on March 11, 2021

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant
Auditor in charge



Auditor's report

To the general meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA (publ), corporate identity number 556012-6293.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2020 except for the corporate governance statement on pages 71–81 and the sustainability report defined on page 65. The annual accounts and consolidated accounts of the company are included on pages 71–134 and page 163 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31,

2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 71–81 and the sustainability report on page 65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do

not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these

matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statement.

Forest valuation

Description	How our audit addressed this key audit matter
<p>The Group's forest assets are divided into standing timber recognized as biological assets according to IAS 41 Agriculture, and land assets recognized in accordance with IAS 16 Property, Plant and Equipment.</p> <p>In order to better reflect the market value of the Group's forest assets, effective 2019-12-31, SCA elected to account for the Group's forest assets at market value based on transactions in the areas where SCA owns forest land. The change means first that the accounting principle for forest land was changed to the revaluation method, i.e. that the forest land is recognized at fair value where changes in value are reported as other comprehensive income and, secondly, that the assumptions when valuating standing forest have changed. A description of the valuation of forest assets and important assumptions are presented in Note D3.</p> <p>As of December 31, 2020, the forest (biological assets) has been disclosed at a value of SEK 51,3 billion and land assets at a value of SEK 23,6 billion. As of December 31, 2019, biological assets were disclosed at SEK 49,5 billion and land assets at SEK 20,2 billion.</p> <p>The valuation process is complex as it requires assessments both in terms of market statistics and the breakdown of the total value of land and biological assets. Significant assessment areas include the scope and completeness of market statistics, area prices, discount rates, wood prices and felling costs. The valuation is classified as a Level 3 valuation in accordance with IFRS 13.</p> <p>Based on the above, we consider that the valuation of the Group's forest assets to be a Key Audit Matter.</p>	<p>In our audit we have evaluated and reviewed the company's process for valuation of forest assets at aggregated level and allocation of the value between biological assets and land assets. We have reviewed the reliability of the market data, key assumptions, discount rate ("WACC") and other source data used by the company by i.e. comparing to external data sources, such as market transactions, expected inflation, forest prices, felling costs, assessment of future felling volumes and by evaluating the sensitivity in the company's valuation model. We have included valuation specialists in the team performing our review. We have specifically focused on the sensitivity in the calculations and assessed the company's historical capability to forecast.</p> <p>Finally we have assessed whether information provided in Note D3 ("Forest assets") is appropriate, in particular as regards to the information on which the assumptions given are most sensitive in the calculation of fair value and disclosures resulting from the change of accounting principle and changes in assumptions.</p>

AUDITOR'S REPORT

Restructuring of Ortviken

Description	How our audit addressed this key audit matter
<p>On September 11, 2020, the Group announced the discontinuance of the production of publication paper at the Ortviken plant including associated functions within the Group. In accordance with the requirements of IAS 16, 36 and 38 SCA recorded an impairment charge of SEK 920 million for assets which value was assessed will not be recoverable over the reassessed useful life. In addition, in accordance with IAS 19 and 37 the Group recorded a restructuring provision of SEK 756 million whereof SEK 756 million SEK remained at December 31, 2020 to cover future committed costs. The impairment is described in Note D1 and D2 and the restructuring provision including significant assumptions in Note D8.</p> <p>The amounts recorded are significant to the financial statements of the Group as whole and non-recurring. It is complex and requires judgment to determine the recoverable value of the assets as well as the estimate of future costs to be provided for in the restructuring provision. With respect to above we have determined that the restructuring is a key audit matter in our audit.</p>	<p>During our audit we have assessed the Group's process to prepare impairment calculations and restructuring provisions. We have audited the compliance with relevant standards in IFRS and the obligations of the restructuring. Our procedures included auditing the key assumptions used in assessing the recoverable value of the assets affected by the restructuring with focus on the assumptions to which the recoverable value is most sensitive to changes in. This has included evaluating management's estimate of the future earnings of the remaining business and the usage of the assets based on the plan for restructuring as well as examination of underlying calculations. We have also audited the assumptions used to determine the provisions for future cost for the redundancy of personnel and the decommissioning of production sites due to the restructuring. Future costs have been compared primarily with agreed obligations and in the absence of an agreement, we have evaluated management's estimate of costs by comparing against similar obligations where the outcome is known as well as reviewing the underlying calculations. In addition, we have agreed the recorded amounts to supporting evidence. Finally, we have also assessed the appropriateness of the disclosures made in Notes D1 and D2 related to the impairment and Note D8 related to the restructuring provision.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–59, 135–162 and 168–176. The remuneration report for the financial year 2020 also constitutes other information. It is the Board of Directors and the CEO who are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the

Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

AUDITOR'S REPORT

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, measures taken to eliminate the threats or countermeasures that have been taken.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on

pages 71–81 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on page 65 with references, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, with Fredrik Norrman as auditor-in-charge, was appointed auditor of Svenska Cellulosa Aktiebolaget AB by the general meeting of the shareholders on March 31, 2020 and has been the company's auditor since 2016.

Stockholm March 11, 2021

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant



Auditor's Limited Assurance Report

This is the translation of the auditor's report in Swedish.

Auditor's Limited Assurance Report on Svenska Cellulosa Aktiebolaget SCA's Sustainability Report

To Svenska Cellulosa Aktiebolaget SCA, corporate, identity number 556012-6293

Introduction

We have been engaged by the Board of Directors of Svenska Cellulosa Aktiebolaget SCA to undertake a limited assurance engagement of Svenska Cellulosa Aktiebolaget SCA's Sustainability Report for the year 2020. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 168–169.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on the page 162, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in

a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Svenska Cellulosa Aktiebolaget SCA in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 11, 2021

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant



GRI Index

SCA prepares its report in accordance with GRI Standards, Core option. All indicators are from 2016 except GRI 403-9 which refers to 2018.

GRI 102: General disclosures			
Disclosure number	Description	Page	Comment/Omission
Organizational profile			
102-1	Name of the organization	176	
102-2	Activities, brands, products and services	3, sca.com	
102-3	Location of headquarters	176	
102-4	Location of operations	96	
102-5	Ownership and legal form	58–59	
102-6	Markets served	10–11, 96	
102-7	Scale of the organization	5, 94–96 (Note B1)	
102-8	Information on employees and other workers	96, 159, 162	Apart from SCA's own employees, the main group that is not employed by SCA comprises contractors conducting forest services, some 900 people.
102-9	Supply chain	146	
102-10	Significant changes to the organization and its supply chain	5, 61–62	
102-11	Precautionary Principle or approach	153	
102-12	External initiatives	141	
102-13	Membership of associations	141	
Strategy			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	144–146	
Governance			
102-18	Governance structure	71–72, 141	
Stakeholder engagement			
102-40	List of stakeholder groups	143	
102-41	Collective bargaining agreements	157	
102-42	Identifying and selecting stakeholders	142–143	
102-43	Approach to stakeholder engagement	142–143	
102-44	Key topics and concerns raised	142–143	
Reporting practice			
102-45	Entities included in the consolidated financial statements	122 (Note F1), 162	
102-46	Defining report content and topic boundaries	162	
102-47	List of material topics	142	
102-48	Restatements of information	162	
102-49	Changes in reporting	61–62	
102-50	Reporting period	162	
102-51	Date of most recent report	162	
102-52	Reporting cycle	162	
102-53	Contact point for questions regarding the report	176	
102-54	Claims of reporting in accordance with the GRI Standards	162	
102-55	GRI index	168–169	
102-56	External assurance	163, 167	



GRI INDEX

GRI 103: Management approach				
Area	Disclosure number	103-1: Explanation of the material topic and its boundary, page	103-2: The management approach and its components, page	GRI 103-3 Evaluation of the management approach
Economic performance				
GRI 201: Economic performance	201-1	142, 162	138–139, 141	141
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	142, 162	138–139, 141	141
Energy				
GRI 302: Energy	302-1	142, 154, 162	138–139, 141	141
Biodiversity				
GRI 304: Biodiversity	304-3	142, 152, 162	138–139, 141	141
Emissions				
GRI 305: Emissions	305-5	142, 162	138–139, 141	141
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	142, 162	138–139, 141, 156–157	141
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity	405-1	142, 162	138–139, 141	141

GRI 403: Occupational health and safety							
403-1: Occupational health and safety management system		403-2: Hazard identification, risk assessment, and incident investigation		403-3: Occupational health services		403-4: Worker participation, consultation, and communication on occupational health and safety	
403-5: Worker training on occupational health and safety		403-6: Promotion of worker health		403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			
Occupational health and safety							
403-9	156	141, 145, 156–157, 162	156	143, 156–157, 162	156	156–158	146, 153

Material sustainability topics				
Area	Disclosure number	Description	Page	Comment/Omission
Economic performance				
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	136, 147	
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	144–145	
Energy				
GRI 302: Energy	302-1	Energy consumption within the organization	154, 160–161	
Biodiversity				
GRI 304: Biodiversity	304-3	Habitats protected or restored	151–152	
Emissions				
GRI 305: Emissions	305-5	Reduction of GHG emissions	148–149, 160–161	
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	Work-related injuries	145, 156–157, 159, 162	For contractors who performed work at SCA's facilities, in forestry operations or conducted transport activities, reporting is only used for CLTA and fatal accidents.
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	80–81, 96, 157–159	Departure for information on minority groups in accordance with Swedish law.



MULTI-YEAR SUMMARY

Financial multi-year summary

SEKm	2020	2019	2018	2017	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾
INCOME STATEMENT							
Net sales	18,410	19,591	18,755	16,664	15,373	16,152	15,412
EBITDA	4,440²⁾	5,319³⁾	5,252	3,648	3,385	3,781	3,300
Forest	2,213	1,740	1,394	1,363	1,238	1,213	1,240
Wood	657	789	904	670	531	484	607
Pulp	614	983	709	482	530	970	768
Paper	1,190	2,064	2,468	1,479	1,246	1,317	855
Other	-234 ²⁾	-257 ³⁾	-223	-346	-160	-203	-170
Depreciation	-1,601 ²⁾	-1,616 ³⁾	-1,250	-1,137	-1,114	-2,517	-1,218
Operating profit	2,839²⁾	3,703³⁾	4,002	2,511	2,271	1,264	2,082
Financial items	-117	-126	-29	-93	-84	-128	-221
Profit before tax	2,722²⁾	3,577³⁾	3,973	2,418	2,187	1,136	1,861
Taxes	-483 ²⁾	-730 ³⁾	-314	-544	-417	-262	-482
Profit for the period	2,239²⁾	2,847³⁾	3,659	1,874	1,770	874	1,379
BALANCE SHEET							
Forest assets	74,900	69,682	33,065	32,384	31,765	31,113	30,679
Deferred tax liabilities related to forest assets	-14,977	-13,977	-6,658	-6,905	-6,769	-6,626	-6,531
Working capital	2,759	3,748	3,735	2,861	2,740	3,002	3,118
Other capital employed	17,152	17,654	15,940	14,379	12,390	10,347	11,562
Capital employed	79,834	77,107	46,082	42,719	40,127	37,836	38,828
Equity	72,163	68,510	39,062	36,753	35,127 ⁴⁾	-	-
Net debt	7,671	8,597	7,020	5,966	5,000 ⁴⁾	-	-
Capital employed	79,834	77,107	46,082	42,719	40,127	37,836	38,828
CASH FLOW STATEMENT							
Operating cash flow	2,688	2,922	2,751	2,273	1,917	2,481	1,469
Cash flow before dividend	723	145	528	-754	-350	1,673	1,050
Current capital expenditures, net	-1,224 ⁵⁾	-1,132	-1,002	-638	-959	-869	-876
Strategic capital expenditures in non-current assets	-1,414	-1,256	-1,967	-2,863	-2,231	-946	-184
KEY FIGURES							
EBITDA margin	24.1% ²⁾	27.2% ³⁾	28.0%	21.9%	22.0%	23.4%	21.4%
Operating margin	15.4% ²⁾	18.9% ³⁾	21.3%	15.1%	14.8%	7.8%	13.5%
Industrial return on capital employed	5.4% ²⁾	11.9%	20.1%	12.5%	10.5%	2.2%	8.1%
Return on capital employed	3.6% ²⁾	6.9% ³⁾	9.0%	6.1%	5.8%	3.3%	5.4%
Working capital as a percentage of sales	18.3%	20.2%	17.5%	17.7%	17.8%	18.6%	20.2%
Net debt/EBITDA	1.7x ²⁾	1.6x ³⁾	1.3x	1.6x	1.5x ⁴⁾	-	-
Net debt/Equity	11%	13%	18%	16%	14% ⁴⁾	0%	0%
Data per share							
Earnings per share, SEK	3.19 ²⁾	4.05 ³⁾	5.21	2.67	2.52	1.24	1.96
Dividend per share, SEK	2.00 ⁶⁾	0.00	1.75	1.50	-	-	-
Operating cash flow per share, SEK	3.83	4.16	3.92	3.24	2.73	3.53	2.09

¹⁾ Restated financial information.

²⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

³⁾ Excluding the impact of the changed accounting method for the valuation of forest assets.

⁴⁾ Pro forma. Pro forma net debt after reallocation to SEK 5,000m on December 31, 2016. Pro forma equity calculated as capital employed less pro forma net debt. Pro forma value of net debt and equity used in relation to EBITDA (not pro forma).

⁵⁾ SEK 81m from new, remeasured and terminated leases.

⁶⁾ Board of Directors' proposal.



MULTI-YEAR SUMMARY

Non-financial multi-year summary

		2020	2019	2018	2017
Values	Employees trained in SCA's Code of Conduct	96%	96%	90%	90%
	Percentage of contract suppliers that have approved SCA's Supplier Standard	94%	93%	94%	75%
	Number of confirmed breaches of SCA's Code of Conduct	7	8	2	-
Profitable growth	Total shareholder return (TSR)	51%	41%	-17%	-
	Credit rating	Investment grade	Investment grade	Investment grade	Investment grade
Fossil-free world	Climate benefit ¹⁾ , million tonnes of CO ₂ e	9.6	10.5	8.0	-
	Uptake of CO ₂ through net growth of SCA's forests, million tonnes CO ₂	4.4	5.4	4.0	4.0
	Fossil emissions in the value chain (Scope 1–2–3), million tonnes of CO ₂ e	0.86	0.91	0.88	-
	Specific fossil emissions (Scope 1–2 excluding transportation), kg CO ₂ e per tonnes of product	69.6	79.5	72.2	-
	Fossil-free production (emissions from used fuel and electricity)	95%	95%	93%	95%
	Fossil emissions from transportation in the value chain, million tonnes of CO ₂ e	0.39	0.41	0.35	0.37
	Specific fossil emissions from transportation in the value chain, g of CO ₂ e per tonne-kms transport performed	19.0	17.9	19.3	21.2
Installed capacity of wind power on SCA's land, TWh per year	5.4	4.4	2.6	2.3	
Valuable forests	Standing volume in SCA's forests ²⁾ , million m ³ fo	257	252	245	232
	Wood raw material from responsibly managed forests, percentage of chain of custody certified wood raw material ³⁾	100%	100%	100%	100%
	Wood raw material from responsibly managed forests, percentage of wood raw material from certified forestry or harvested with SCA retention ⁴⁾	81%	67%	71%	71%
	Replanting, millions of seedlings planted in SCA's forests	46	35	36	32
	Nature conservation area ⁵⁾ , % of productive forest land	22.5%	21.0%	20.0%	24.0%
	Number of consultation meetings with reindeer-herding Sami communities	120	79	69	65
Efficient use of resources	Wood raw material used, million m ³ sub	11.3	11.2	9.6	9.6
	Electricity used, TWh	2.77	3.08	2.96	3.04
	Emissions to air of nitrogen compounds, tonnes of NO ₂	2,106	1,995	1,831	1,696
	Emissions to water of suspended solids, tonnes	2,628	1,873	1,892	2,786
	Waste sent to landfill or classified as hazardous waste, tonnes	7,704	6,825	7,303	8,827
Responsibility for people and the community	Average number of employees	4,196	4,253	4,216	4,127
	Share of women in the Group	21%	19%	19%	18%
	Sickness absence, short and long-term	3.9%	3.1%	3.5%	3.8%
	Workplace accident Frequency Rate, LTA per million hours worked	5.6	7.4	9.1	10.4
	Preventive activities – Risk and behavior-based safety observations, number of observations	18,079	13,964	11,290	8,500
	Share of payments to northern Sweden	58%	51%	-	-

¹⁾ Climate benefit calculated using the model launched by SCA in 2019, see sca.com

²⁾ New forest survey in 2019. Holding in the Baltic states included since 2019.

³⁾ Wood raw material that at least complies with FSC's Controlled Wood Standard.

⁴⁾ SCA retention concerns harvesting where the on-site retention correspond to FSC's requirements for certified forestry.

⁵⁾ Nature conservation area refers to voluntary set-asides and on-site retention in harvesting operations.



Definitions and glossary

Financial terms

Performance measures

EBITDA

Profit before depreciation, amortization and impairment, financial items and taxes.

EBITDA margin

Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.

Capital definitions

Capital employed

The balance sheet's total assets excluding financial assets and pension assets, less any trade payables and other current non-interest-bearing liabilities.

Working capital

Short-term operating receivables (inventories, accounts receivable and other non-interest-bearing current receivables) less current operating liabilities (trade payables and other non-interest-bearing current liabilities).

Net debt

Financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).

Profitability ratios

Return on capital employed

Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of capital employed on average for the two most recent quarters. One-off items are excluded. Industrial segments only use industrial ROCE.

Industrial return on capital employed

The Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment and a share of other activities. Strategic capital expenditures in industry that have not begun operating and one-off items are excluded. This measure applies to all industrial segments.

Cash flow performance measures

Operating cash surplus

EBITDA with deductions for capital gains and capital losses from property, plant and equipment and intangible assets and the reversal of the share of profits of associates and the result of the forest revaluation.

Operating cash flow

The sum of operating cash surplus and change in working capital, with deductions for current capital expenditure and restructuring costs.

Cash flow from current operations

Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

Strategic capital expenditures in non-current assets

Investments aimed at increasing the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost competitiveness.

Current capital expenditures, net

Investments made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature, with deductions for compensation from divested non-current assets, aimed at preserving the value of assets.

Glossary

CTMP Chemi-thermomechanical pulp is a high-yield pulp produced through heating and mechanical defibration in a refiner of preheated, chemically pre-treated softwood.

FSC (Forest Stewardship Council) is an international organization promoting responsible forest management. The FSC has developed principles for responsible forestry that can be applied for certifying forest management and that facilitate FSC labeling of wood products from FSC-certified forests.

Kraftliner is the surface layer of corrugated board based on fresh wood fiber.

m³sub (solid cubic meter under bark) specifies the volume of timber excluding bark and tops. Used in harvesting and the timber trade. 1 m³sub equals about 1.22 m³fo.

m³fo (forest cubic meter) specifies the volume of timber including tops and bark, but excluding branches. Used to describe the forest portfolio of standing timber. Growth is also specified in forest cubic meters. 1 m³fo equals about 0.82 m³sub.

PEFC (Programme for the Endorsement of Forest Certification) is an international forest certification system.

Productive forest land is land with a productive capacity that exceeds an average of one cubic meter of forest per hectare annually.

NBSK is bleached softwood kraft pulp manufactured by boiling wood fiber with chemicals.

Solid-wood products refers to wood sawn into various sizes for use in, for example, furniture manufacturing, joinery or construction.

Wood raw material relates to fresh wood fiber used in solid-wood products, pulp and paper products.



About the Annual General Meeting

The Annual General Meeting of Svenska Cellulosa Aktiebolaget SCA will be held on April 15, 2021 by postal vote. This means the Annual General Meeting will be held without the physical attendance of shareholders, proxies or external parties and that shareholders can only exercise their right to vote at the Annual General Meeting by postal vote. Information about the resolutions passed at the Annual General Meeting will be published on the same day when the outcome of the postal vote has been finalized.

Registration and notification

Shareholders who wish to attend the Annual General Meeting must be listed in the shareholders' register maintained by Euroclear Sweden AB as of April 7, 2021, and give notice by submitting their postal vote so that the postal vote reaches Euroclear Sweden AB no later than on April 14, 2021.

In order to be entitled to participate in the Annual General Meeting, nominee shareholders must, in addition to giving notice

by submitting their postal vote, register their shares under their own names so that the shareholders are listed in the statement of the shareholders' register on April 7, 2021. Such registration may be temporary and is made to the nominee in accordance with the nominee's procedures in good time as decided by the nominee. Voting rights registration submitted by nominees no later than on Friday, April 9, 2021, will be taken into account when preparing the shareholders' register.

Postal voting

Shareholders may exercise their voting rights at the Annual General Meeting by postal vote using a special form. The form is available on the company's website www.sca.com. The postal voting form is valid as notification of participation in the Annual General Meeting.

The completed and signed form is to be sent by mail to Svenska Cellulosa Aktiebolaget SCA, "Annual General Meeting", c/o Euroclear Sweden AB,

Box 191, SE-101 23 Stockholm, Sweden, or by e-mail to GeneralMeetingService@euroclear.com. Shareholders who are natural persons may also submit postal votes electronically through verification using the BankID security app via Euroclear Sweden AB's website <https://anmalan.vpc.se/EuroclearProxy/>.

If the shareholders submit a postal vote via a proxy, the form must include a power of attorney. Proxy forms are available in Swedish and English upon request from the company and are also available on the company's website www.sca.com. A power of attorney is valid for one year from its issue or the longer period of validity stipulated in the power of attorney, though not more than five years. If a shareholder is a legal entity, a registration certificate or equivalent authorization documents, not older than one year, listing the authorized signatories must be attached to the form.

The Notice convening the Annual General Meeting can be found on the company website www.sca.com.

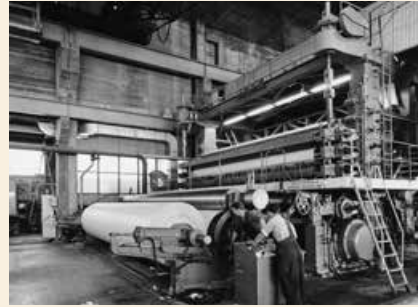


SCA's development

Wood fiber has always generated value and SCA has over time sought the best way to realize this value, which has resulted in changing end products. In 2020, SCA took a significant step towards a business structure which will create even greater value over time.

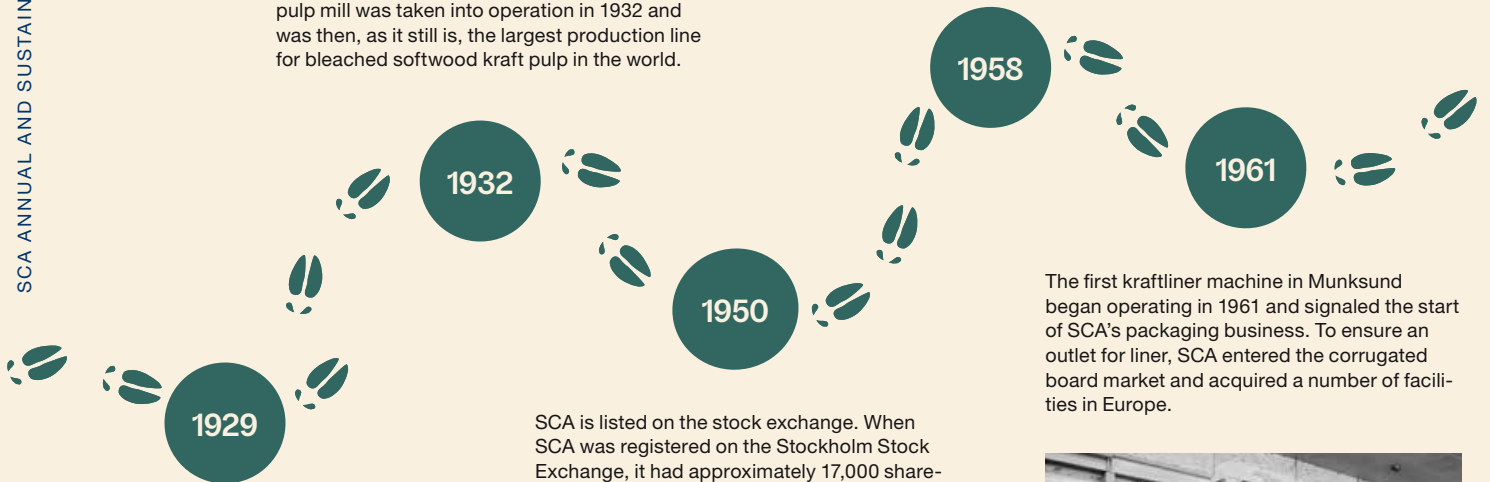


The first decision taken by the SCA Board was to invest in a new kraft pulp mill. The Östrand pulp mill was taken into operation in 1932 and was then, as it still is, the largest production line for bleached softwood kraft pulp in the world.



SCA chooses newsprint as a strategic development area. The sulfite pulp mill in Ortvikén became a newsprint mill. Two newsprint machines were built in 1956–1957 with a total capacity of 160,000 tonnes.

SCA ANNUAL AND SUSTAINABILITY REPORT 2020



1929

The SCA Group was established on November 27, 1929. Some ten independent forest companies joined together in a Group comprising forests, sawmills, pulp mills, workshops and power companies.



1932

1950

SCA is listed on the stock exchange. When SCA was registered on the Stockholm Stock Exchange, it had approximately 17,000 shareholders. The share issue encompassed 375,000 shares at a price of SEK 130 per share.



1958

1961

The first kraftliner machine in Munksund began operating in 1961 and signaled the start of SCA's packaging business. To ensure an outlet for liner, SCA entered the corrugated board market and acquired a number of facilities in Europe.

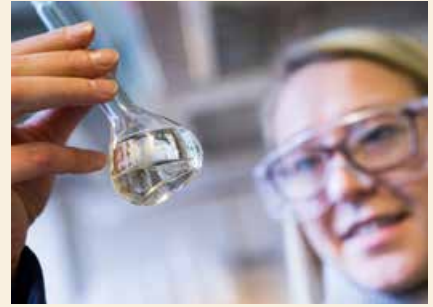




SCA'S PERFORMANCE



SCA sold its packaging business to DS Smith. SCA also sold its publication paper mills outside of Sweden, Laakirchen and Aylesford.



SCA resolves to discontinue its publication paper operations and invests in increased production of pulp and containerboard.



SCA takes a first step toward becoming a consumer goods company with the purchase of the Swedish hygiene company Mölnlycke. In the following years, SCA becomes Europe's leading hygiene company.



Following a historical decision at the Annual General Meeting, SCA was split into two listed companies – the forest products company SCA and the hygiene company Essity, both leaders in their respective industries.





Addresses

Headquarters

Svenska Cellulosa Aktiebolaget SCA (publ)

Corp. Reg. No.:	556012-6293	Telephone:	+46 60 19 30 00
Postal address:	SE-851 88 Sundsvall, Sweden	E-mail:	info@sca.com
Street address:	Skepparplatsen 1	Website:	www.sca.com

For details about contact persons, refer to sca.com



Production: SCA in collaboration with Hallvarsson & Halvarsson and Bold

Translation: The Bugli Company

Photos: Mattias Andersson, Torbjörn Bergkvist, Isak Berglund Mattsson-Mårn, Michael Engman, Dennis Ersöz, Sanna Grannas, Jonna Jinton, Ola Kårén, Per-Anders Sjöquist, Patrick Trädgårdh, Liv Åhlund, SCA's historical image archives.

Illustrations: Fellow Designers, Saga-Mariah Sandberg and Nadja Nörbom.



Paper: Insert – GraphoSilk 100 g/m² from SCA. Cover – Algro Advance 270 g/m²

SCA's Annual Report is produced with the greatest possible environmental consideration. Our paper, GraphoSilk 100g/m², is manufactured using raw material from responsibly managed forests in Northern Sweden at Ortvikens paper mill, a mill with exceptionally low emissions of CO₂ from fossil sources.

Printing: Stibo Complete, Katrineholm, 2021



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.