

ANNUAL AND SUSTAINABILITY REPORT

2021



MARTIN JOLMER '22

Maximizing value creation in and from the forest



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The scope of the Sustainability Report in accordance with the Swedish Annual Accounts Act is described on page 60. The Sustainability Report according to GRI is summarized in the GRI content index on pages 168–169. The Sustainability facts section starts on page 133, and describes SCA's sustainability work in more detail.



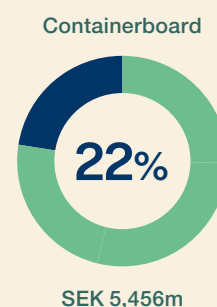
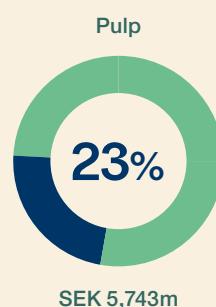
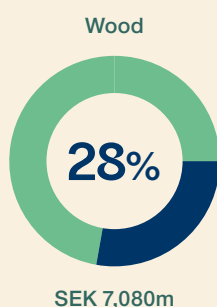
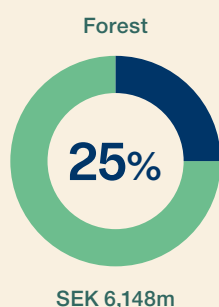
The year at a glance

2021 was an important year in SCA's transformation. Crucial steps were taken towards a structure that will create higher long-term value. SCA reported highly positive earnings, supported by favorable market conditions in all operating areas.

Net sales

18,822
SEKm

Net sales, share of Group¹⁾



EBITDA

9,109
SEKm

EBITDA margin

48%

Earnings per share

8.69
SEK

Proposed dividend per share

3.25
SEK

¹⁾ Before elimination of intra-Group sales. SEK 566m (2%) pertains to publication paper and is recognized in Other.



SCA – Europe's largest private forest owner with an integrated industrial business

As a shareholder, you receive:

Stable and profitable value growth over time

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land. As a resource, the forest yields stable profitability and value growth. Since 1956, the forest assets have provided an annual total return of about 10%. Globally, forest land is a limited resource.

Increased demand for renewable products

Forest has an increasingly important role to play in the transition to a more sustainable society. Renewable products, such as bio-fuels, packaging paper and solid-wood products, made using trees from SCA's forests can replace fossil fuels, plastics and concrete. SCA manufactures products for which there is long-term growing demand and that meet rigorous sustainability and quality demands.

Efficient use of resources

SCA is a forest company with modern, well-invested industries close to its forest holdings. The strong project portfolio comprising forest and industrial investments guarantees profitable growth over time. SCA uses the entire tree in an industrial ecosystem, ensuring an efficient use of resources, at the same time as competitive industries have a high payment capacity for forest raw materials and guarantee the long-term value of the forest.

SCA contributes climate benefits

Growing forest binds CO₂. Combined with higher production of renewable products and investments in sustainable technology, SCA's climate benefit can increase in the future. In 2021, the total climate benefit from SCA's forest and manufacturing industries amounted to 10.5 million tonnes of CO₂.

Key figures

SEKm	2021	2020 ¹⁾
Net sales	18,822	18,410
EBITDA	9,109	4,440
EBITDA margin, %	48.4	24.1
Operating profit	7,634	2,839
Operating margin, %	40.6	15.4
Profit for the period	6,106	2,239
Earnings per share, SEK	8.69	3.19
Proposed dividend per share, SEK	3.25	2.00
Operating cash flow	5,216	2,688
Strategic capital expenditures	3,723	1,414
Capital employed	90,807	79,834
Industrial return on capital employed, %	33.0	5.4
Net debt/EBITDA	0.9x	1.7x
Average number of employees	3,577	4,196
Accidents, LTA per million hours worked	5.8	5.6
Climate benefit, million tonnes of CO ₂	10.5	9.6
Total shareholder return (TSR), %	14	51

¹⁾ Profit, excluding the effect of one-off items related to the discontinuation of publication paper operations (see page 56).

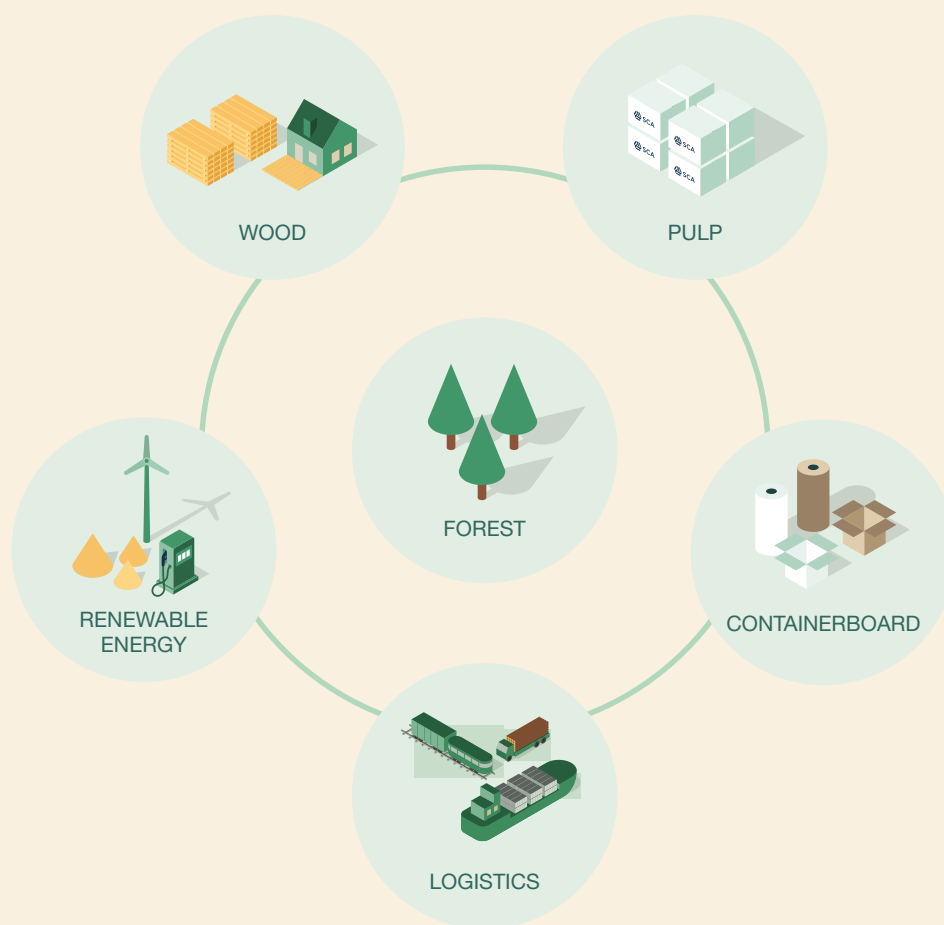


SCA is Europe's largest private forest owner with 2.6 million hectares of forest land that forms the foundation for SCA's value creation.



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.



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

Two-thirds of the revenue for forest owners comes from sawmills. A competitive sawmill industry is the economic engine of a forest business and creates the conditions for a competitive fiber-based industry.

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 cost efficiently shipped to industrial facilities and products delivered to customers worldwide.



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 approximately 44,000 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.

2.6
million
hectares of forest land

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


Estonia
Latvia



Better than ever

We can look back on a very strong year and can report that the result for the period was the best on record. Following the discontinuation of publication paper operations, demand and prices in our remaining product areas were high, production was at a good level, and cost control was excellent. As a consequence of the strong result, the Board of Directors can propose a raised dividend in parallel with ongoing investments in the future.

Health and safety are a top priority at SCA, and through careful planning we limited the spread of infection among employees and contractors, thereby ensuring that production and deliveries were maintained and that our investment projects are on schedule.

The favorable development of the forest's value has continued. And the forest has also received significant and properly justified attention, in Sweden, Europe and the world. This was related to threats and risks and also to the important contributions made by the forest to climate efforts, community building and welfare.

Growth products

SCA is currently positioned as a company with a palette of growth products and production facilities that stand at the forefront in terms of productivity and competitiveness. We discontinued our remaining publication paper operations in 2021, which is a fundamental change that affected a large number of employees in paper production, in the logistics chain and in support functions. The space left by the publication paper machines at Örtviken paper mill is now being filled by other activities that have better prospects.

We are conducting major and important investments in the future in wood, pulp and containerboard to increase production, quality and competitiveness. Together with the Finnish energy company St1, we are building a biorefinery in Gothenburg that will manufacture liquid biofuels from forest by-products. A significant portion of Sweden's ongoing wind power investments are taking place on SCA's land. In Sundsvall, we are constructing a container port to provide efficient transportation of the growing volumes of products that our investments will create.

We are financing this ambitious investment program with internally generated cash flow.

Combatting climate change

In 2021 the IPCC presented a report that – more clearly than in the past – concluded that human activities are responsible for the changes occurring to our climate, due primarily to CO₂ emissions from fossil fuels. Together we must reverse this situation by reducing the use of fossil resources and instead increasing the use of forest-based circular and renewable resources.

Forest that is actively managed and the fastest-growing is best at binding and storing carbon on a net basis. Moreover, it provides renewable and circular wood raw material for long-lasting wood products as well as for biofuels, packaging and other goods that substantially reduce the fossil dependency of society. Forest operations and the forest industry are therefore one of the most important components in combatting humanity's negative impact on the climate. Overall, our own operations yielded a positive climate effect of 10.5 million tonnes of CO₂ in 2021, which is more than the emissions generated by all passenger cars in Sweden. A well-maintained and managed forest makes the best contribution to combatting climate change.

SCA believes that there is significant potential for our forests and products to increase our contribution to work aimed to combat the adverse effects of climate change. We can see great potential for wind power and we will continue to invest in development work in biofuels and green chemistry. In particular, we will continue to manage our forests so they can grow better, bind more CO₂ and yield more renewable raw materials.

Nurturing forest values

In parallel with maximizing growth in our forests, we must promote and develop the forest's other values, not least the forest's biodiversity. With good knowledge of our forest resource and of forest processes, we will preserve or recreate habitats for sensitive flora and fauna, while maintaining a high production level for renewable wood raw material.

The forest forms the foundation for everything we do and is the basis for SCA's values. We nurture and utilize the forest to ensure that its overall value continues to grow for owners, employees, local communities, customers, nature and climate.

Ulf Larsson

President and CEO



CEO'S MESSAGE



“A well-maintained and managed forest makes the best contribution to combatting climate change.”

We support the UN Global Compact and its principles.



The forest – everlasting and dynamic

The forest forms the foundation for SCA's value creation, a truly renewable resource. Using carbon dioxide, water and sunlight, trees build wood fiber. Correctly managed, the forest is a perpetual resource.

Active nature conservation – there are species that require special habitats such as burnt wood or old deciduous trees – conditions that require active intervention. SCA works systematically to ensure a variety of habitats in the landscape.

Forest areas with high conservation values – SCA conducts inventories of its forests and prepares ecological landscape plans to set aside forest areas that have high conservation values or contain species that require undisturbed conditions.



Regeneration – site preparation and planting normally take place after harvesting. There is also a great deal of natural regeneration, particularly of deciduous trees, which then become part of the new stock.

Pre-commercial thinning – after harvesting, there is usually a strong natural regeneration of deciduous trees. Given that softwood trees yield more sustainable timber production and produce more valuable timber, most deciduous trees are removed from the stand after 10–15 years. Some deciduous trees are retained for variation and diversity.



HOW A FOREST WORKS

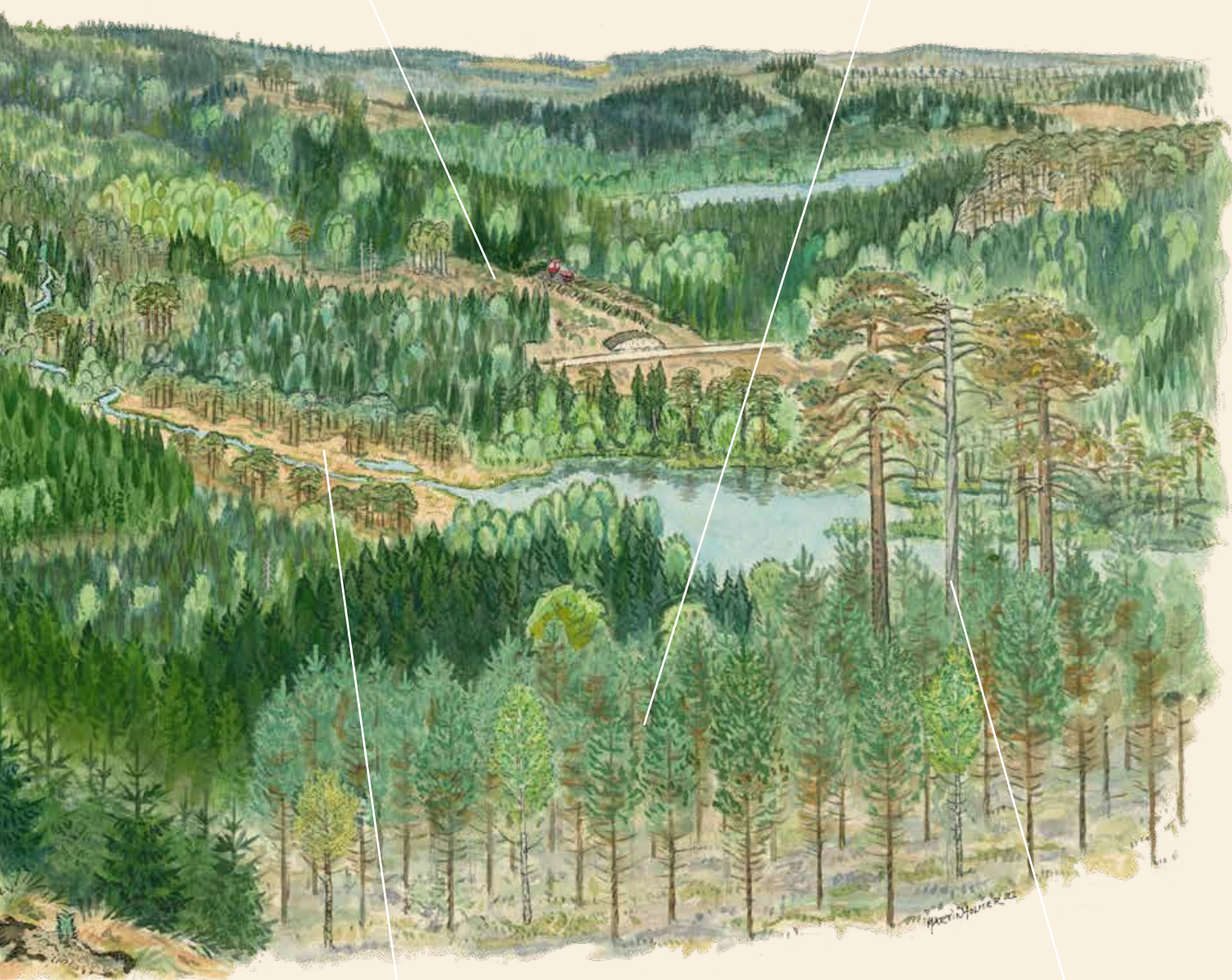
SCA's forests have a rotation period of 80–120 years. Only a small percentage of the forest is affected by final felling, planting, pre-commercial thinning or commercial thinning every year. The forest stands and grows for the better part of a century.

When trees grow, they produce wood from carbon dioxide, water and soil nutrients using sunlight as energy. As trees age, their rate of growth slows, and they ultimately die and decompose, releasing the carbon dioxide back into the atmosphere. One in five trees in

SCA's productive forests is left to live, die a natural death and become food and a habitat for insects, wood-decay fungi and woodpeckers.

Harvesting with variable on-site retention – approximately 1% of SCA's productive forest land is harvested every year.

Thinning – the forest is thinned once or twice over a rotation period to allocate growth to the most valuable trees. In the thinning operations some on-site retention is applied, and deciduous trees, for example, may be left untouched.



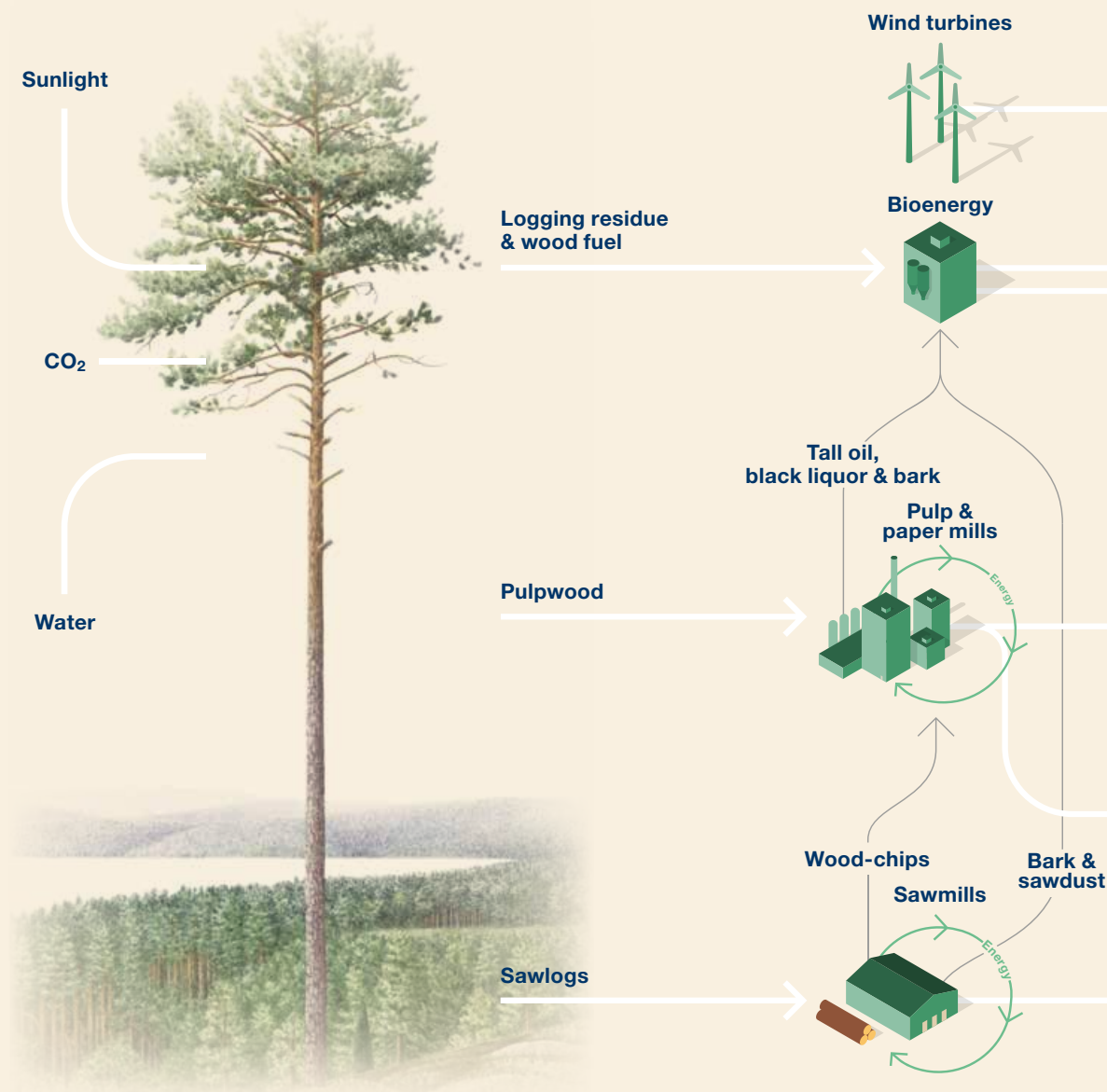
Non-productive land – forest land with a low level of productivity, such as bogs, rock faces and swamp forests, can be found everywhere in the forest landscape and is not cultivated. More than 20% of SCA's land is non-productive. Much of this is covered in forest.

On-site retention – part of the old stand is retained in all harvesting operations – buffer zones, groups of trees, individual dead and living trees. This helps forest species to transition from the old forest to the next generation of forest.

SCA generates value in and from the forest

The forest forms the foundation for operations...

...and is processed in well-invested industries...



The forest forms the foundation for SCA's value creation. Using carbon dioxide, water and sunlight, trees build wood fiber. Correctly managed, the forest is a perpetual resource.

SCA's forests are managed with a broad range of expertise to be as rich in biodiversity, experiences and timber in the future as they are today.

The forest is managed to become sawlogs, the most valuable part of the tree. All timber that can be turned into solid-wood products is also used for this purpose. By-products from the forest and sawmills are used in fiber products and for energy.

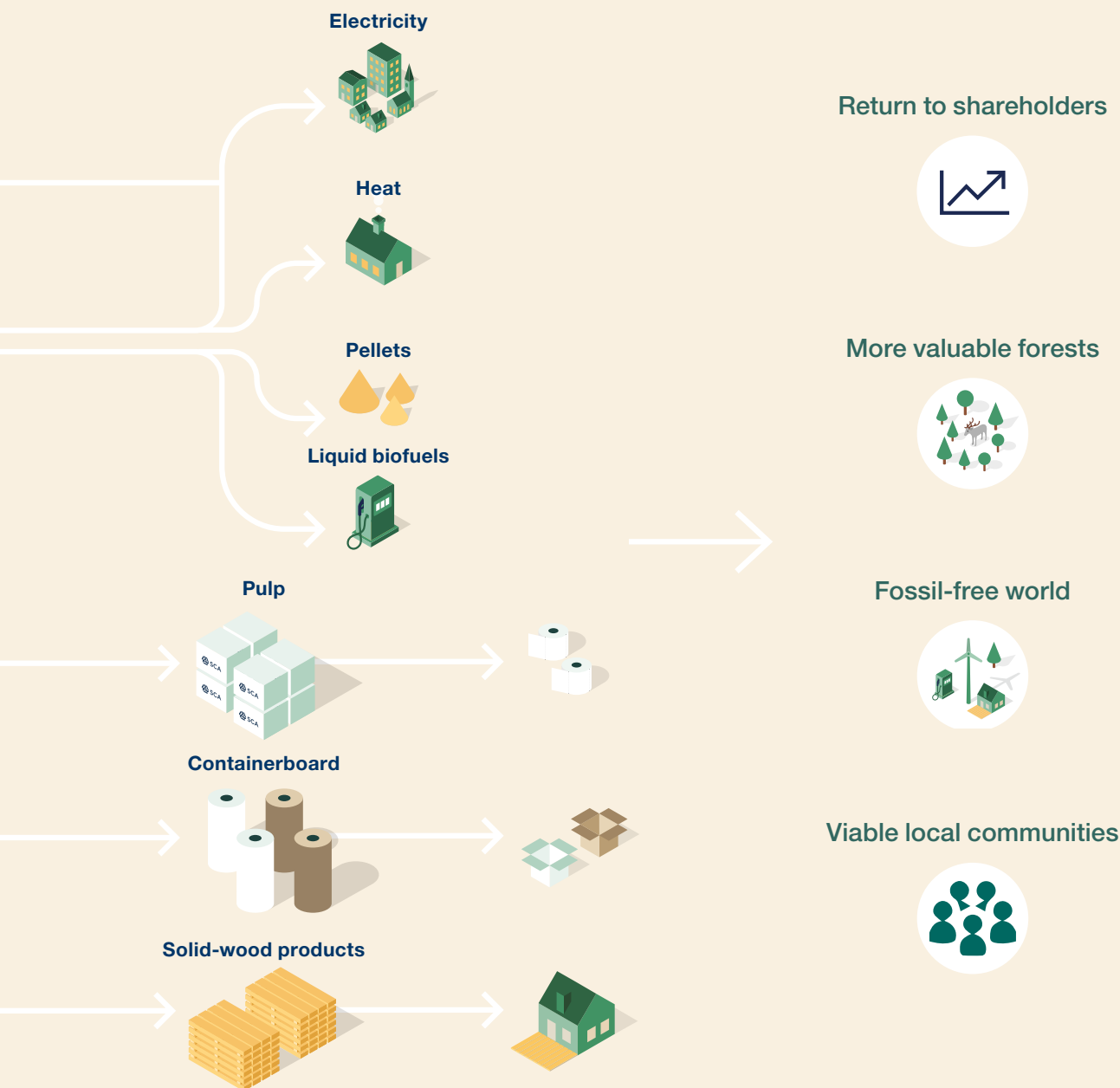
To create the highest possible value, SCA has built a value chain comprising well-invested and competitive industries that can pay well for timber produced by the company and other forest owners.



VALUE CHAIN

...that produce renewable products...

...and generate value in society

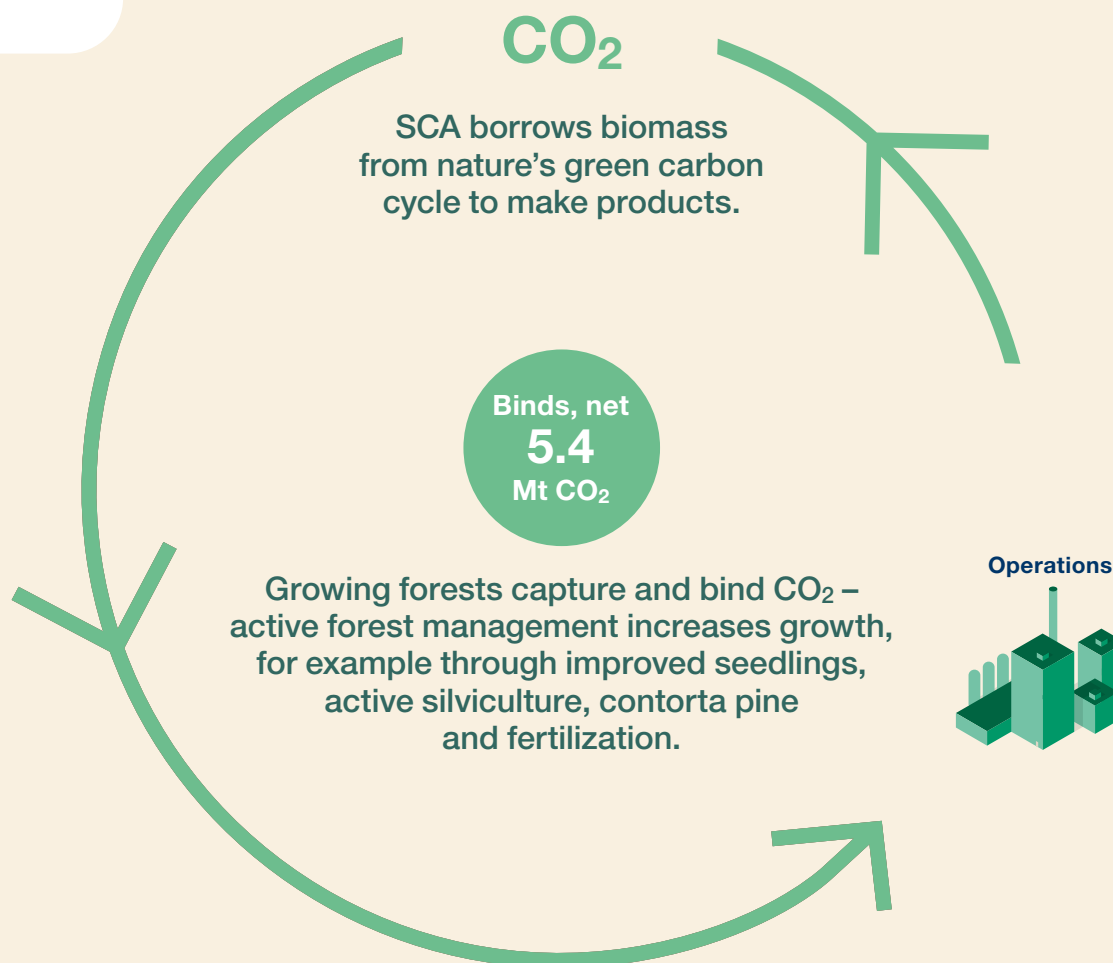


SCA offers products that replace alternatives with a greater environmental and climate impact and thereby contributes to customers' success and sustainability.

A competitive industry and growing, well-maintained forests provide the company's owners with favorable returns, while preserving biodiversity. The business creates employment and income for forest owners, contractors, employees, customers and local communities.



SCA's contribution to a fossil-free society



Investments and innovations reduce carbon emissions and increase profitability.

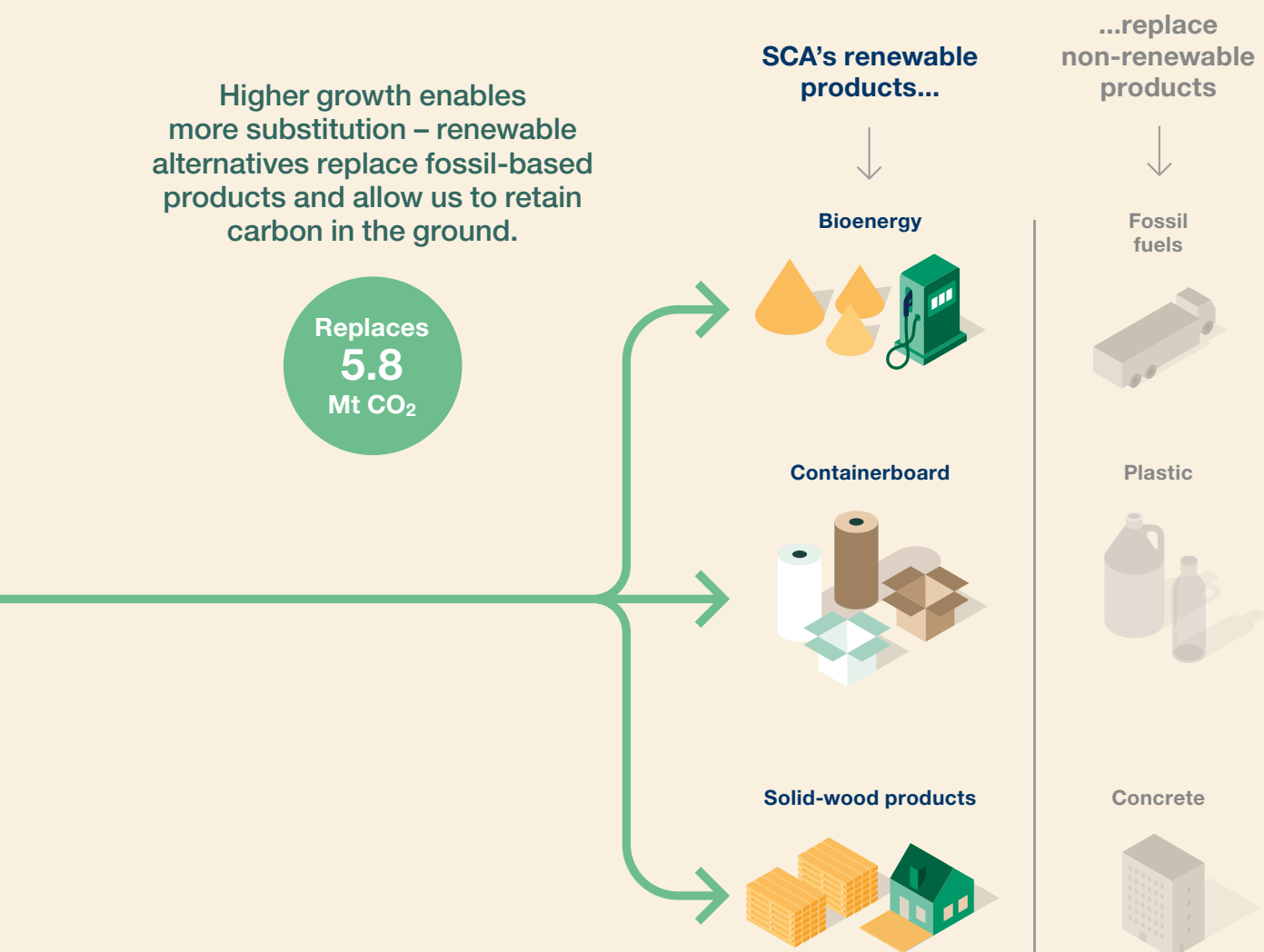
Low emissions
0.7
Mt CO₂

FOREST AND CLIMATE

SCA's well-maintained and growing forests bind CO₂.

An increasing net volume of carbon is bound when growth is higher than harvesting. Harvested timber is used in products that replace alternatives that leave a much bigger carbon footprint. The fossil CO₂ generated by input goods, production and transportation is then deducted from these products.

The sum of these effects is SCA's climate benefit.



In 2021, SCA's climate benefit was 10.5 million tonnes of CO₂, which is more than the emissions generated by all of Sweden's passenger cars.

For more information, refer to Sustainability facts on pages 146–147.



Market trends favor SCA's operations and products





Through active forest management and by using the forest's raw materials to make products that help us to replace fossil-intensive products with renewable alternatives, the carbon footprint is reduced, and we contribute to a lower level of climate-damaging emissions. As Europe's largest private forest owner and producer of renewable products, SCA has an important role to play in combating climate change. In 2021, SCA's products benefitted from a strong market and changes in consumption patterns.

Operating environment

Climate

The European Commission's package of measures to reduce greenhouse gas emissions includes a large number of proposals that will impact conditions for forest operations and the forest industry. Some of these proposals aim to encourage increased use of forest products to reduce the use of alternatives with a large carbon footprint. In parallel, the European Commission has presented proposals to increase the role of the forest as a carbon sink and thereby reduce use of the forest.

SCA's responses

SCA's climate benefit amounts to approximately 10.5 million tonnes of CO₂ per year calculated using the forest's net growth, substitution effect and emissions. By replacing steel and concrete with timber when constructing new buildings, and by replacing plastic packaging with paper packaging, SCA makes a substantial contribution to counteracting climate change. The joint venture between SCA and St1 to produce biofuels is expected to make a further contribution to SCA's climate benefit since products from the biorefinery will replace fossil fuels.

Forest

Globally, forest, and in particular coniferous forest, is a limited resource. Demand for forest raw materials is rising, and forest damage and poor infrastructure are restricting access. Increasing volumes of fast-growing deciduous tree plantations, particularly in the southern hemisphere, are meeting the rising demand for fresh fiber.

SCA's major forest resource is managed to generate a high production of softwood. With its own forest holding located close to industrial operations, SCA limits the risk of serious delivery disruptions.

Booming economic activity

Large parts of the global economy are experiencing a boom, partly driven by large stimulus packages to counteract the adverse economic impact of the coronavirus pandemic. In several areas, the economic situation has resulted in shortages and substantial price increases.

Strong demand has led to price increases in all of SCA's segments. This has been most clearly apparent for wood products, where the market for renovation and extensions has been particularly strong.

E-commerce

In the wake of the coronavirus pandemic, e-commerce has continued to grow much faster than the general retail sector.

E-commerce needs high-quality transport packaging. SCA's packaging material meets this strong demand, especially for applications in e-commerce distribution.

Logistics problems

The booming economic situation in combination with changing trade patterns and the impact of coronavirus restrictions has resulted in shortages and disruptions to transport between and within continents. Containerized freight transportation has been particularly affected by disruptions and delays, with an imbalance between the availability of containers and the freight to be shipped.

With its own transport organization, SCA has managed deliveries and transport costs relatively well. The discontinuation of publication paper operations also led to a temporary reduction in transport volumes, which has eased the situation.



Strategy for profitable growth

**Increased value
from each tree**

**A growing,
renewable forest
resource**



STRATEGY

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 created from each tree.

Increase the forest resource

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

Invest in the integrated value chain

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



Increase growth and harvesting

Higher growth will enable a gradual increase of 25% in the sustained annual harvesting volume.



Increase production of pulp, kraftliner and wood

SCA is pursuing investment projects to increase production, quality and efficiency in all product areas.



Acquire forest land in the Nordic region and the Baltic states

The acquisition of forest land, particularly in the Baltic states, is continuing.



Realize business opportunities in renewable energy

SCA is forming a joint venture with St1 to produce biofuels, at the same time as wind power production on SCA's land is increasing.



STRATEGY

Link added to link in SCA's value chain

With the overall goal to maximize value creation, SCA uses a long-term and systematic approach to developing its value chain. Investments in the industrial structure must be profitable on their own merits and add value throughout the chain.

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 areas and by discontinuing operations with limited future prospects.

Since 2010 SCA has taken important steps in the transformation of the company in all its 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.

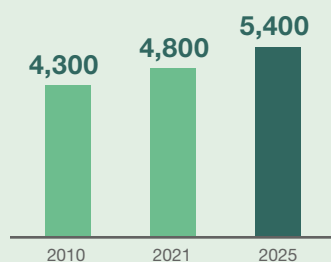
The raw material is used in the process and for the product that can generate the greatest possible value. Solid-wood products and fiber products are supplemented with the production of energy and fuel either for internal use or for delivery to customers.

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.

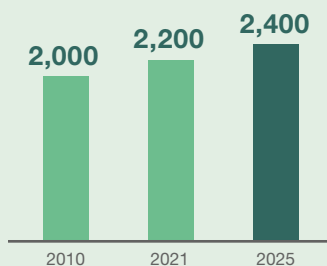




STRATEGY

A growing forest resourceHarvesting plan for own forest
(thousand m³sub)

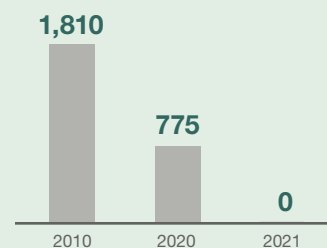
Active forest management encourages growth and sustainable harvesting.

Efficient sawmillsCapacity (thousand m³)

Five sawmills in 2021 produce more than 11 sawmills in 2010.

Publication paper

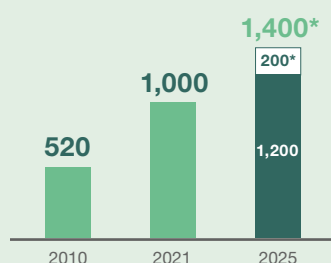
Capacity (kt)



SCA's publication paper operations were discontinued in 2021.

Pulp – expanding market

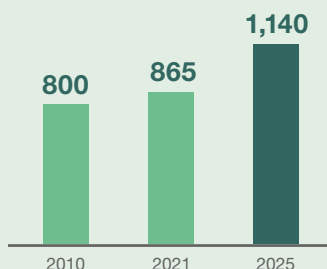
Capacity (kt)



Production at Östrand pulp mill can continue to increase.

Containerboard – expansion

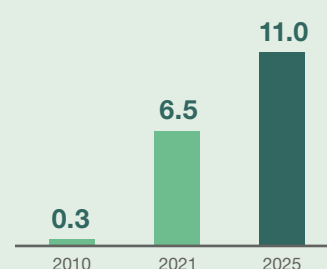
Capacity (kt)



The expanded Obbola plant will be commissioned in 2023.

Renewable energy – rising demand

Wind power capacity (TWh)



Increased wind power production on SCA's land

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

**Increase production of CTMP**Investment:
SEK 1.45bn

Production increase from 100,000 to 300,000 tonnes.

Relocation of CTMP from the Östrand pulp mill to the Örtviken site

**Liquid biofuel from crude tall oil**

Joint venture with St1

100,000 m³
of biofuels**Acquisitions of forest land**

Progressing according to plan, holding of 44,000 hectares in 2021

Target:
100,000 hectares in Baltic states**Östrand – continued growth**

Opportunity to increase NBSK production at Östrand pulp mill

Potential biorefinery

→ 2023

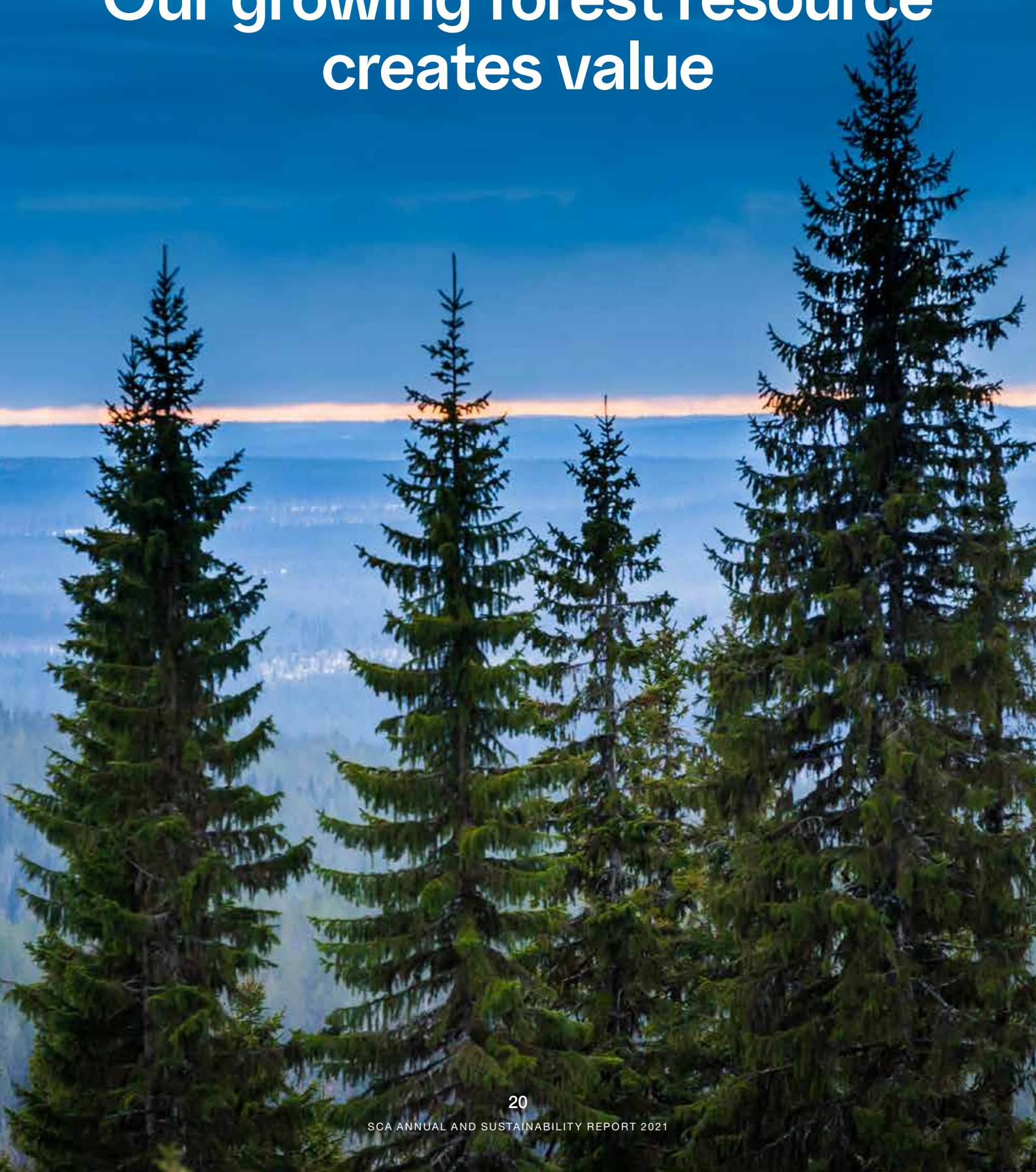
→ 2023

Time →



FOREST

Our growing forest resource creates value





FOREST



The forest is SCA's unique resource – Europe's largest private forest holding. The forest will grow and yield improved access to renewable raw materials through active and long-term management.

Global softwood shortage

There are large areas of forest around the world, but this does not mean that wood raw material is readily available. In parts of the world, such as western North America and Central Europe, various forms of forest damage have limited access to good-quality softwood. In Russia there is good availability of raw material, but the infrastructure is poorly developed and the forest is therefore inaccessible. One of the few areas where the availability of softwood is expected to increase in the years ahead is the US south-east.

In South America, the area covered by fast-growing plantations, above all eucalyptus, is increasing. However, this timber resource has other areas of application than good-quality softwood.

Demand for wood products is growing faster than the supply of wood raw material, which means that well-maintained forests with good growth will be a resource that is in demand and in short supply in the future.

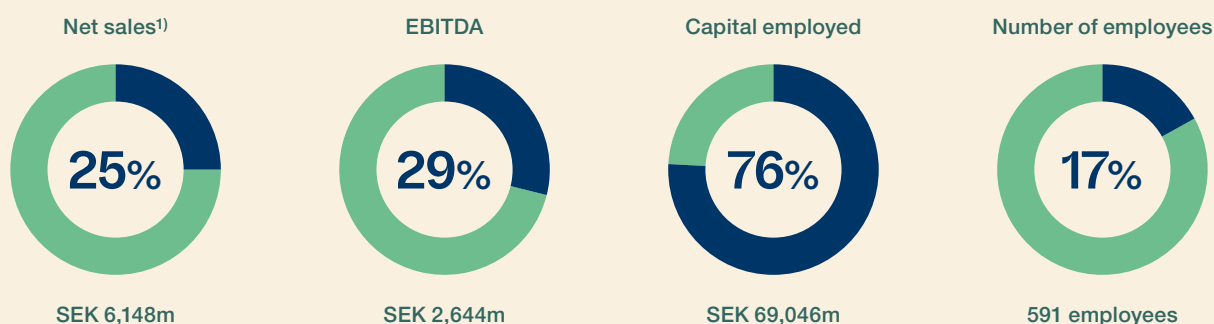
Strategy

- Increase growth and harvesting while maintaining high environmental ambitions
- Acquire forest that supports SCA industries
- Increase digitalization of planning, logging, forest management and timber purchasing
- Increase the precision and quality of biodiversity conservation measures

Financial key figures

SEKm	2021	2020
Net sales	6,148	6,486
EBITDA	2,644	2,213
EBITDA margin, %	43.0	34.1
Operating cash flow	763	817
Strategic capital expenditures	119	77
Capital employed	69,046	61,706
Return on capital employed, %	3.8	3.4
Harvesting of own forest, thousand m ³ sub	4,278	4,818
Average number of employees	591	618

Share of Group 2021



¹⁾ Before elimination of intra-Group sales.

SCA's forests grow slowly and have a rotation period of about a century. This produces high-quality timber.



FOREST

Europe's largest private forest holding secures its 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 forest cubic meters (m³fo) in the Baltic states, SCA's total standing volume amounts to approximately 261 million m³fo.

SCA wants to increase its forest holding and is acquiring forest where it can help to supply the company's value chain. In Sweden, the legal opportunities to increase the forest holding are limited. Therefore, the company is endeavoring to improve conditions for forest management and timber supply in the country through land purchases and sales. At the same time SCA is growing as a forest owner in the Baltic states.

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. The company's timber needs have temporarily decreased following the discontinuation of publication paper operations. Demand for raw materials will increase again when production of solid-wood products, containerboard and pulp rises as a result of the ongoing investments. 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 with 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 125 million seedlings last year.

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 also secures demand and forest value 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 region and the Baltic states. However, imports were at very low levels in 2021.

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, with the many species that make up the flora and fauna, is one of the most important sustainability targets of SCA's forestry. Forest areas of high conservation value are set aside from forest management or managed in a way to strengthen the conservation values. Forest is set aside to provide variety and habitats for sensitive flora and fauna.

Good and secure working conditions for our own personnel and contractor employees are another important area of responsibility.

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 who make stringent demands on sustainability. SCA also encourages its suppliers to certify their forest operations.

Climate benefits and biodiversity conservation

Growing trees capture and bind carbon dioxide (CO₂). SCA's forests have an annual net growth of almost four million m³fo of timber, which means that the forests bind a net total of more than five million tonnes of CO₂. This is more than seven times the total CO₂ emissions from fossil-based sources in all of SCA's

Market

Almost 70% of Sweden is covered by forest, corresponding to 28 million hectares. SCA is Sweden's largest private forest owner. The remainder is owned by individual forest owners, other forest products companies, the state and the church. In addition to its holdings in Sweden, SCA has forest holdings in Estonia and Latvia, where about half of the land area is covered by forest.

SCA purchases about one third of the timber sold by private forest owners in SCA's catchment area.

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, for example, that reforestation must take place after final harvest; it stipulates limits for the youngest age at which forest can be felled; 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 make net acquisitions of 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



SCA's Bogrundet tree nursery is the largest in the world and produces more than 100 million seedlings a year.

operations, including the forest operations, industrial production and transportation of raw materials and finished products, as well as input goods.

It is growth that binds CO₂. The greater the growth, the more CO₂ is bound by the growing tree. As trees age, growth slows and they are harvested and replaced with new, growing trees. There are calls in Sweden and the European Union to allow the forest to remain standing as a carbon store or sink. However, as the trees in this carbon store age, they will eventually die and rot and the CO₂ will be released back into the atmosphere. Older forests are also susceptible to more dramatic events, such as insect damage or fire, where a forest dies on a larger scale and CO₂ emissions from dead trees rise.

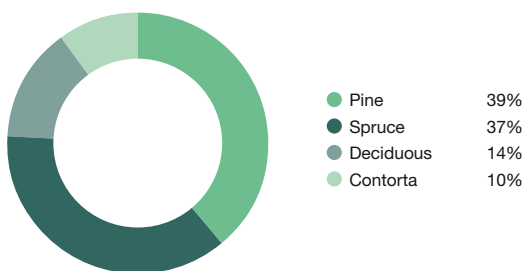
When a forest is actively managed and renewable raw materials are made into products that can replace others that have a larger carbon footprint, fossil carbon remains in the ground, and forests remain vigorous and growing.

SCA sets aside important habitats for sensitive flora and fauna to protect them 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 considerations, and SCA is aiming for the best possible balance between these two objectives.

Harvesting increasing by 25%

SCA endeavors to manage its forests in an active and long-term manner to increase growth and harvesting potential. The regular inventories and harvesting calculations conducted by the company indicate that harvesting can increase to 5.4 million solid cubic meter under bark (m³sub) in 2025 and the company is gradually approaching this level. In the longer term, harvesting can increase further. Contorta pine, which has a much higher growth rate than Swedish pine, has made a significant contribution to this growth increase.

Forest holding (volume)



Growth in SCA's forest in 2021¹⁾

SEKm	Million m ³ fo	%
Opening volume Sweden, 2021	252	
Gross forest growth	10.5	4.2%
Natural losses and pre-commercial thinning	-1.4	-0.6%
Available growth	9.1	3.6%
Harvesting ²⁾	-5.2	-2.1%
Net forest growth	3.9	1.5%
Closing balance Sweden, 2021	256	
Holdings in Baltic states	5	
Closing volume, 2021	261	

¹⁾ Timber volume and growth as per the forest survey performed in 2019.

²⁾ Equal to about 4.3 m³sub.

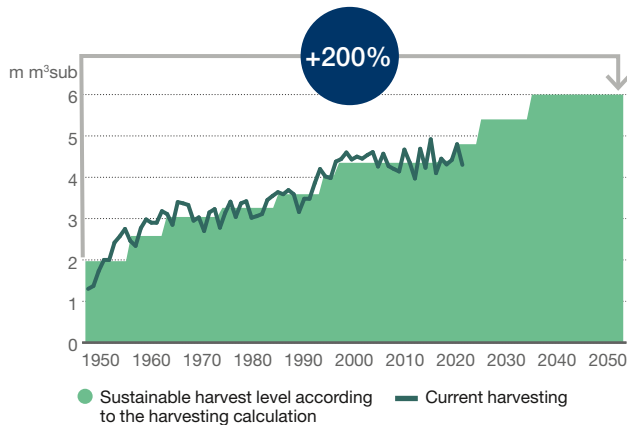


FOREST

Since the first forest inventory at the end of the 1940s, SCA's standing volume has increased by more than 60%, while growth and the sustainable harvesting level have 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.

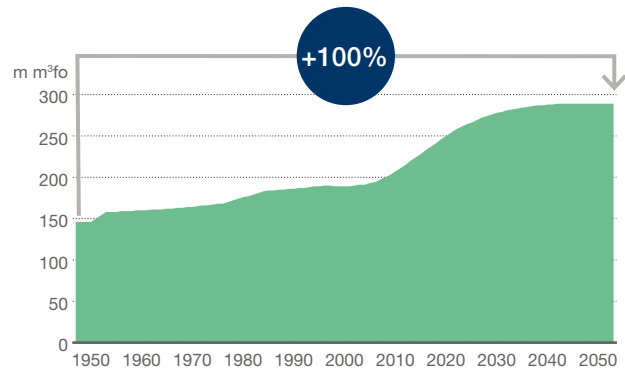
Using the harvesting plan that SCA has now adopted, standing volume will continue to increase, albeit at a slightly slower pace than in the past.

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 standing volume was estimated at 261 million m³fo at the end of 2021. 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 manages its forests to ensure a high level of sawlog production, the most valuable timber product.





FOREST

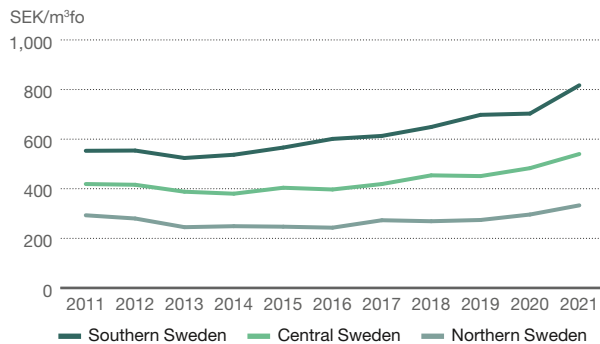
Forest value

From 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, 2021 used in the valuation of SCA's forest assets was SEK 324/m³fo. Applied to SCA's standing timber volume of 261 million m³ at the end of the year, the carrying amount of SCA's forest assets was SEK 84.5bn on December 31, 2021.

Ludvig & Co and Svefa are two of the main providers of market statistics. According to Ludvig & Co, the average price in SCA's region, Northern Sweden, was approximately SEK 333 per m³fo standing timber in 2021. According to Svefa, the average price in Northern Sweden was approximately SEK 319 per m³fo standing timber in 2021.

The vast majority of the transactions included in the supporting data are acquisitions conducted by private individuals. The relatively few transactions between legal entities indicates, however, that forest owned by legal entities has an added value compared with forest owned by private individuals.

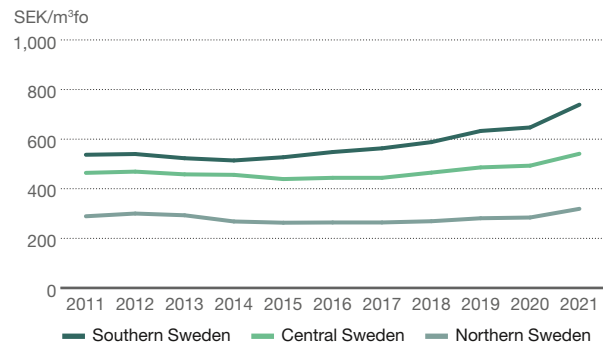
Forest land prices (SEK/m³fo), Ludvig & Co



Forest land prices in Northern Sweden					
	2017	2018	2019	2020	2021
Price, SEK/m ³ fo	273	269	274	296	333

Source: Ludvig & Co, nominal values

Forest land prices (SEK/m³sk), Svefa



Forest land prices in Northern Sweden					
	2017	2018	2019	2020	2021
Price, SEK/m ³ fo	264	269	281	284	319

Source: Svefa, nominal values

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.

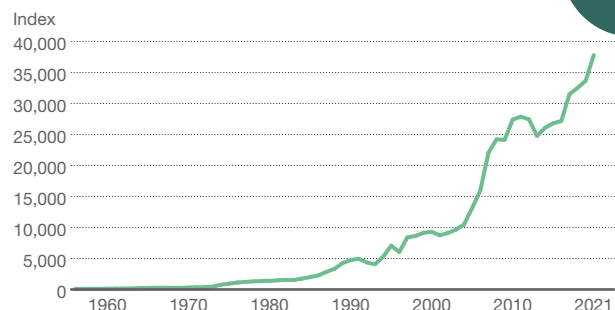
Harvesting. Harvesting provides raw materials to the industries and generates cash flow. Good forest management has helped to double the sustainable harvesting level since 1956.

Net growth. Over the past 70 years standing volume has increased significantly, and growth far exceeds 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 from SCA's forest (index 1956–2021)



Sources: 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



WOOD

Very strong market and good long-term prospects



WOOD



Demand for solid-wood products was very strong in all global markets in 2021. At the same time, production at SCA's sawmills was high, resulting in very strong earnings. Even more importantly, conditions remain highly favorable for long-term strong demand for solid-wood products from SCA.

SCA manufactures processed wood products for the European building materials trade, as well as for the wood industry 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 of 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 that the sawmills can sort, select and adjust the log to suit the requirements of the end product.

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

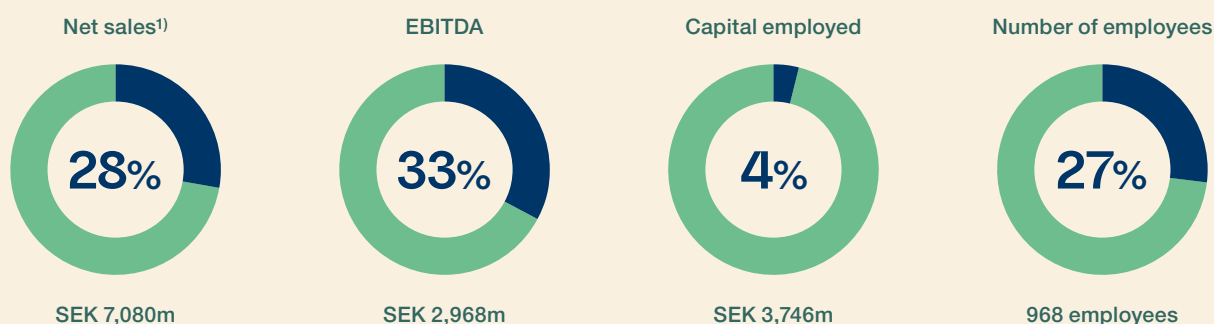
Strategy

- Strengthen SCA's integrated value chain – the most valuable part of the tree is the sawlog
- Continued profitable growth kept in balance with access to raw materials and with developing the business offering to both the building-materials trade and to industrial customers with high demands for customized timber
- Well-invested plants with world-class efficiency and competitiveness

Financial key figures

SEKm	2021	2020
Net sales	7,080	6,296
EBITDA	2,968	657
EBITDA margin, %	41.9	10.4
Operating cash flow	1,978	573
Strategic capital expenditures	-	-
Capital employed	3,746	3,302
Return on capital employed, %	76.6	11.8
Deliveries, wood products, thousand m ³	2,069	2,553
Average number of employees	968	1,165

Share of Group 2021



¹⁾ Before elimination of intra-Group sales.

SCA's product range includes heartwood pine decking, a highly durable product that contains no chemicals.



WOOD

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 three 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 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, together with 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, France and the US. The products are also sold directly to industrial producers of timber-frame housing.

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.

Investing in 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.

SCA is also installing the latest technology at Bollsta sawmill in order to optimize the value of each log. Computerized tomography, image processing and artificial intelligence are used to analyze each log and ensure its full potential is utilized. The log can then be monitored throughout the sawmill's various processing stages to optimize the product value for customers and profitability for the sawmill.

Increasing demand

Demand for softwood solid-wood products has risen since 2008. The increase in demand is global but is strongest in North America and Southeast Asia. While demand from the construction sector and the wood industry – which largely delivers to the construction sector – is volatile, demand is more stable in the ROT sector (home repairs, conversions and extensions). It is also this ROT sector that SCA is prioritizing.

During the pandemic years of 2020 and 2021, demand in the ROT sector was very strong, with an increase in demand among SCA's customers of 30% and more. This sector remains strong, but the major infrastructure projects announced by many countries to restart economies after the pandemic are yet to begin in earnest. These will be the drivers behind sustained high demand.

SCA's sawmills are among the largest and most competitive in Europe.

Sawmills

Munksund, Piteå

Capacity: 400,000 m³/year

Rundvik, Nordmaling

Capacity: 320,000 m³/year

Bollsta, Kramfors

Capacity: 560,000 m³/year

Tunadal, Sundsvall

Capacity: 600,000 m³/year

Gällö, Bräcke

Capacity: 360,000 m³/year

Wood processing and distribution

Planed products capacity:

600,000 m³/year

Window component capacity:

5 million linear meters/year

Distribution to building materials trade:

Scandinavia | France



WOOD



The positive climate impact of wood products is appreciated by many customers.

Sustainable construction materials

Another factor that supports sustained high demand for solid-wood products is their positive climate effect. A number of studies have evaluated the sustainability and climate impact of construction materials and construction processes. Wood products derived from responsibly managed forests received high marks. Climate and sustainability are also assigned high importance in the selection of materials by customers.

Wood has a positive impact on the climate for several reasons. Wood products have a significantly smaller carbon footprint than most other construction materials, such as concrete, aluminum, plastic and steel. Wood is also lighter than concrete and steel, which reduces the environmental impact from transportation and handling. Lastly, wood binds carbon. When the tree grows it binds CO₂ and this carbon remains in the wood product for a shorter or longer period. Given that carefully maintained timber houses can stand for several centuries, this carbon sink in wood products is significant. 90% of SCA's solid-wood products are made into long-living products.

Market

The global market for long-fiber, solid-wood products is about 350 million m³, the majority of which is used in traditional construction and renovation. Long-term demand is expected to grow by approximately 2% per year.

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.



PULP

High production and a strong market





PULP



During the year, the production of softwood kraft pulp at the Östrand pulp mill was at a stable high level, and the market was strong. At the Ortvisken site, investments are ongoing in a modern plant to produce chemi-thermomechanical pulp (CTMP).

At the Östrand pulp mill in Timrå, SCA produces high-quality bleached softwood kraft pulp and chemi-thermomechanical pulp (CTMP). The Östrand mill also produces green electricity, by-products such as tall oil and turpentine, as well as district heating to the Sundsvall and Timrå district heating grids.

Leading kraft pulp manufacturer

The Östrand pulp mill is world-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.

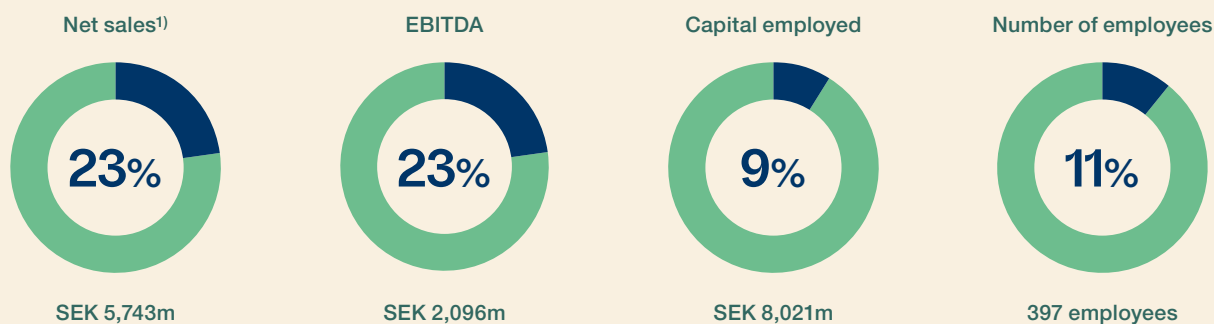
Strategy

- Develop the position as premium supplier – for quality and service – for tissue manufacturers
- Develop a position as leading supplier of CTMP from the Ortvisken site
- Develop a plan for continued expansion of softwood kraft pulp capacity
- Maximize the value of by-products such as bark, district heating, electricity, crude tall oil, lignin, methanol, turpentine, ash and sludge

Financial key figures

SEKm	2021	2020
Net sales	5,743	4,431
EBITDA	2,096	614
EBITDA margin, %	36.5	13.8
Operating cash flow	1,861	468
Strategic capital expenditures	112	79
Capital employed	8,021	8,781
Return on capital employed, %	17.6	0.8
Deliveries, pulp, thousand tonnes	877	839
Average number of employees	397	345

Share of Group 2021



¹⁾ Before elimination of intra-Group sales.

◀ Bleached softwood kraft pulp from Östrand provides strength in products that also contain other pulp.

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, for example, in the middle ply in liquid packaging board to provide stiffness to the packaging.

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

At the Örtviken site, an investment is also in progress by the company Renewcell in a plant to produce recycled textile fibers with a capacity of 60,000 tonnes per year. Renewcell will utilize Örtviken's infrastructure, including steam supply and wastewater treatment, as well as SCA's logistics solutions. Renewcell's plant is scheduled to be commissioned during 2022.

Stable production and continued optimization

During the year, production at the expanded pulp mill in Östrand was stable and high and the plant maintained world-class competitiveness. The optimization of the Östrand mill is continuing as

bottlenecks are identified and measures are taken using an approach that is characterized by continuous improvements. Alternatives for the continued development of the mill are being assessed.

The modern mill has significant potential to produce specialty products and products with specific properties. One such product with healthy demand and profitability is pulp for various types of filter products. New products are continually being developed.

The production of by-products, such as tall oil and green electricity, is important for the mill's profitability and for the efficient use of the plant and raw materials.

Strong pulp market

Demand for pulp was high during the year. At the beginning of the year demand was driven by the Chinese market, while later in the year the US took over this position. Demand also remained healthy in Europe.

Europe remains SCA's core market, but with rising production volume SCA has grown as a supplier to US customers, and commands a stable presence on the US east coast.

SCA is investing SEK 1.45bn in a facility with a production capacity of 300,000 tonnes of CTMP at the Örtviken site.



PULP

Pulp is an input material for a range of different applications. SCA's pulp is in demand from tissue manufacturers, among others.



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

The global market for bleached softwood kraft pulp (BSK) is approximately 25 million tonnes. Long-term demand is expected to rise by approximately 2% per year. SCA's share of the global NBSK market for market pulp amounts to 5%, and Östrand is the largest mill.

The global market for chemi-thermomechanical pulp (CTMP) is approximately 4.3 million tonnes. Long-term demand is expected to grow by approximately 1–2% per year. Following the start-up of the new CTMP plant in Örtviken, SCA's share of the global CTMP market for market pulp is expected to amount to approximately 6%. The new CTMP plant will be one of the four largest in the world.



CONTAINERBOARD

E-commerce drives a strong packaging market





CONTAINERBOARD



High production and a strong market contributed to strong earnings for containerboard and the outlook is positive for continued growth. The investment to increase production capacity is ongoing at the Obbola paper mill.

Containerboard is the outer and inner layer of corrugated board, which is used in the manufacture of packaging. The vast majority of SCA's production is fresh-fiber-based containerboard, known as kraftliner, made at the Munksund paper mill in Piteå and the Obbola paper mill in Umeå.

SCA is a leading producer of kraftliner, the third largest in Europe and the largest independent supplier, with well-invested and

competitive plants. 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 core market is Europe.

Strategy

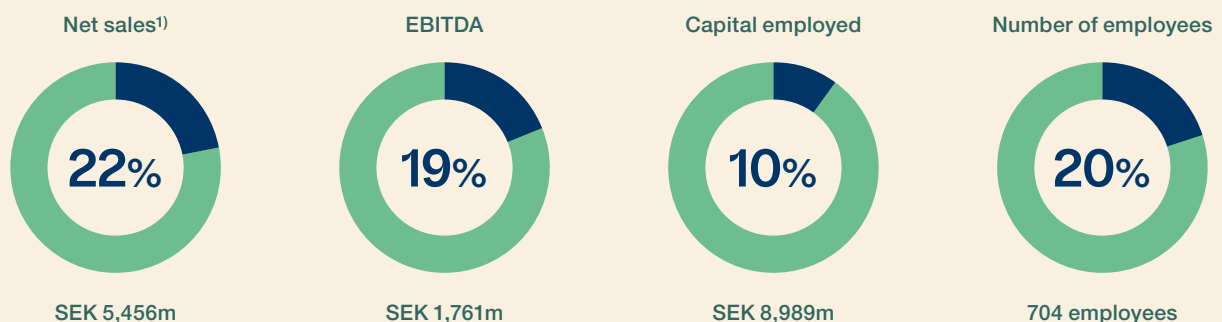
- Implement the investment to increase kraftliner production at the Obbola paper mill
- Continue the initiative to offer the market's best service and product range as an independent supplier
- Continue investments in specialty products, such as white-top and wet-strength kraftliner
- Develop the application of digitalization and AI for quality, competitiveness, and profitability

Financial key figures

SEKm	2021	2020 ¹⁾
Net sales	5,456	7,916
EBITDA	1,761	1,190
EBITDA margin, %	32.3	15.0
Operating cash flow	1,494	1,201
Strategic capital expenditures	3,022	1,253
Capital employed	8,989	7,739
Return on capital employed, %	30.0	10.2
Deliveries, kraftliner, thousand tonnes	823	840
Average number of employees	704	1,421

¹⁾ The Paper segment comprised containerboard and publication paper in 2020. The Paper segment changed name to Containerboard on January 1, 2021 in conjunction with the discontinuation of publication paper operations, and has since consisted exclusively of containerboard.

Share of Group 2021



¹⁾ Before elimination of intra-Group sales.

◀ Kraftliner is used for the outer and inner layer of corrugated board packaging.



CONTAINERBOARD

Investment on time and on budget

The investment to increase the production of containerboard is ongoing at the Obbola paper mill. The current production level of 450,000 tonnes per year will increase to 725,000 tonnes. The investment includes a new paper machine, the largest and most modern of its kind, which will not only increase production but also create an opportunity to produce specialty products and for product development. In addition to the paper machine, the company is also investing in increased pulp production, in expanded biological wastewater treatment and other environmental initiatives, and in greatly reducing the mill's use of fossil fuels. The chemical recycling process will be entirely bio-based.

The coronavirus pandemic posed challenges to the investment project, especially since the project and production are taking place in parallel at the site. Through careful planning, good practices and close collaboration with suppliers both production and work on the project were maintained, while limiting the spread of infection.

The new paper machine will be commissioned at the beginning of 2023.

The strong market absorbed increased capacity

Demand for containerboard was high during 2021. The main driver was a sharp increase in demand for corrugated board packaging, primarily from e-commerce. This demand was high in Europe, which is SCA's core market, but also high globally. This

led to a decline in exports from North America to Europe, which further strengthened the balance between demand and supply.

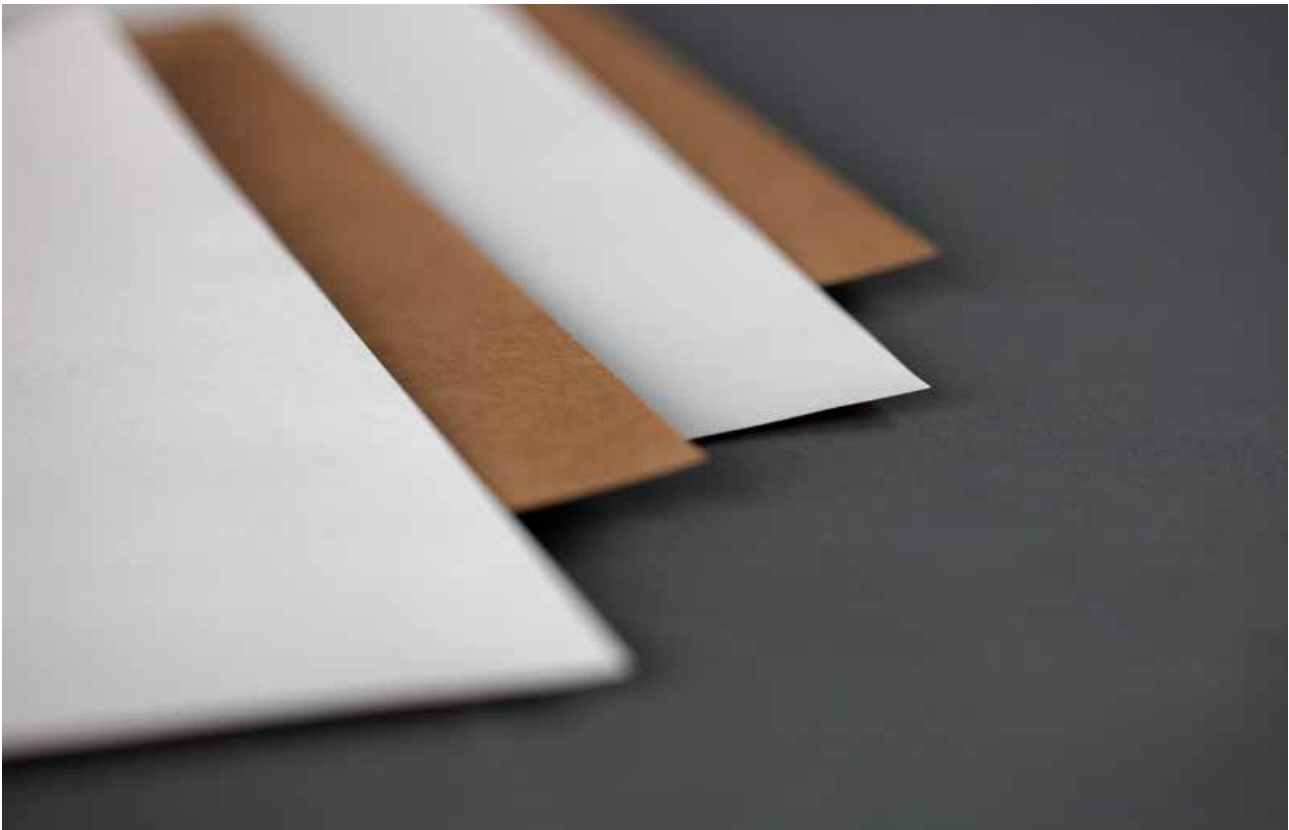
Additional production capacity was commissioned during the year but was immediately absorbed by the strong market. No further increase in production capacity other than SCA's expansion in Obbola is expected in fresh-fiber-based containerboard, at the same time as economic conditions and e-commerce remain strong. Containerboard inventories are low. This ensures a continued strong market for packaging and packaging material.

Orderly discontinuation of publication paper

During the first quarter of 2021 the three publication paper machines at the Ortviken paper mill were closed and production of publication paper ceased. Following the discontinuation of publication paper, the number of employees in SCA Group decreased by about 20%. Affected employees were offered support in the form of training, coaching for new jobs, extended notice periods and retirement solutions. A number of employees at the Ortviken paper mill were offered employment at Renew-cell's new textile recycling operations.

The sale of the publication paper produced during the discontinuation process went well. Customers took delivery of their products and paid their invoices. Both the remaining inventory of unsold products and accounts receivable were very low when the publication paper business ceased operating at the Ortviken site after more than 60 years.

SCA manufactures specialty products, such as white-top kraftliner and brown kraftliner with good printability.





CONTAINERBOARD

Arcwise is a technique developed by SCA that allows corrugated board packaging to be manufactured in round shapes.



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

Kraftliner

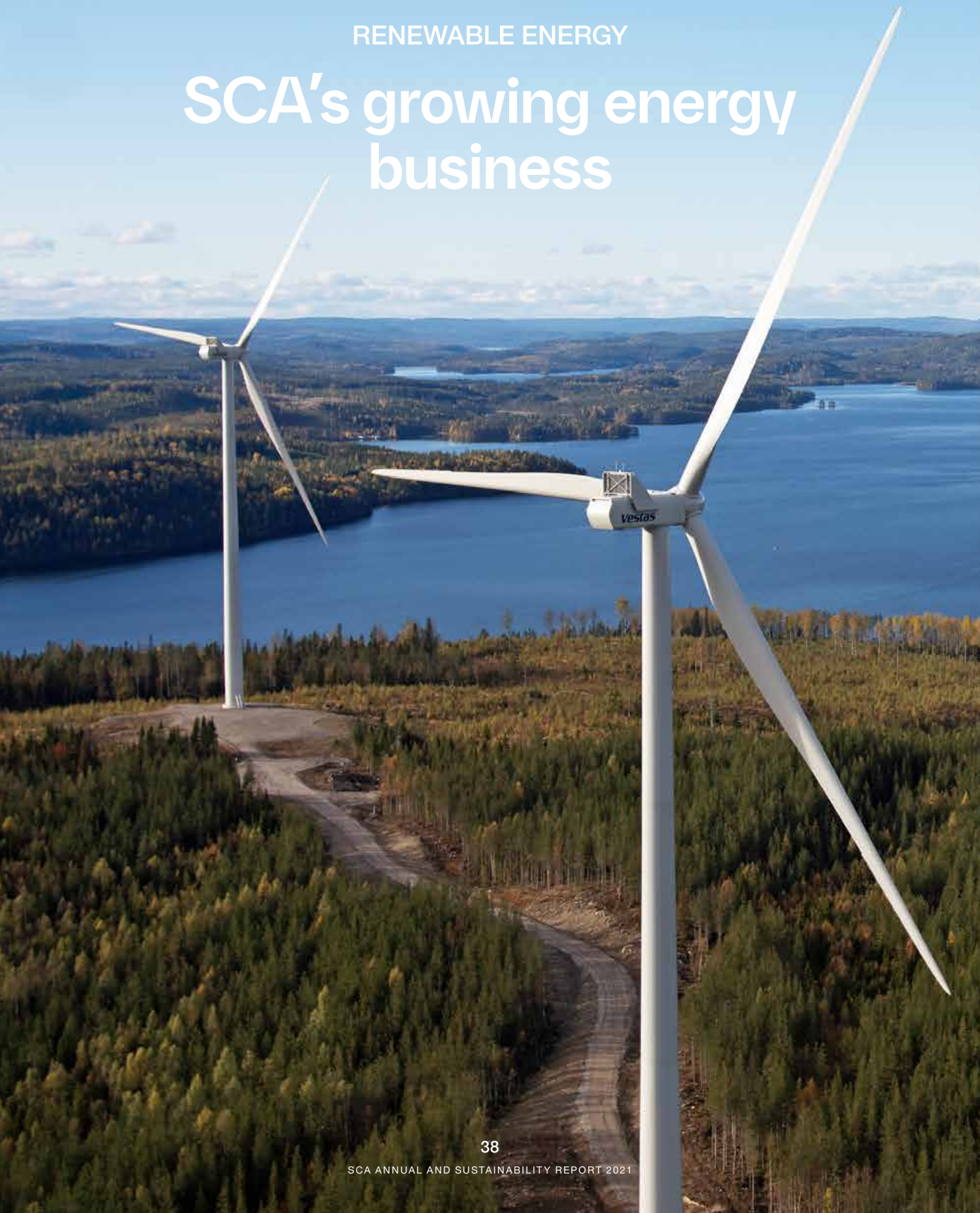
The global market for containerboard is more than 175 million tonnes, of which kraftliner accounts for about 35 million tonnes. Most kraftliner has a brown coating, but a white-top coating is also available and has a market share of just over 10%. Long-term growth in demand for kraftliner is estimated at approximately 2–3% per year.

The European market amounts to just over 6 million tonnes, and SCA's share is about 12%. SCA is the largest independent supplier of fresh-fiber-based kraftliner in Europe.



RENEWABLE ENERGY

SCA's growing energy business





RENEWABLE ENERGY



Renewable energy offers business opportunities for almost all of SCA's operations. A growing share of new wind power is being built on SCA's land. By-products and residual products provide self-sufficiency and income. SCA is now taking the step towards producing and developing biofuels.

All timber that can be sawn is used for solid-wood products. The wood raw material that cannot be used for solid-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 the bioenergy is used at SCA's own plants and contributes to SCA's very small carbon footprint.

Production of biofuels

Biofuels made from sustainable raw materials play a key role in the climate transition. Many countries require the admixture of biofuel to vehicle and aviation fuel, and demand will exceed supply for the foreseeable future.

SCA has formed a joint venture with the Finnish energy company St1 to produce biofuel. SCA is investing SEK 600m in the company, which will own half of the biorefinery that St1 is constructing at its facility in Gothenburg. The biorefinery will produce advanced liquid biofuels, such as renewable HVO diesel and biojet fuel. SCA is making its raw material resources available in the form of tall oil. The total production capacity of the biorefinery will be 200,000 tonnes of biofuels, which is equivalent to the total fuel requirements of domestic flights in Sweden. The biorefinery will be commissioned in mid-2023. St1 will also own half of the Östrand biorefinery. This has received environmental conditions to produce biofuels on two production lines: one using black liquor, which is a by-product from Östrand's kraft pulp production, and one using solid biomass, such as sawdust and bark. While the biorefinery in Gothenburg is based on well-tested and commercial technology, the Östrand biorefinery will focus on technology that is still under development. It is therefore not possible to state when any investment decision may be taken.

Increased wind power production on SCA's land

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 2021, the capacity for wind power production on SCA's land was 6.5 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 9.5 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 the passenger cars in Sweden. The availability of green electricity in Northern Sweden is one important stimulus behind the current establishment of new businesses, such as green steel production and data centers.

SCA also produces a significant amount of its own green electricity. Östrand pulp mill alone sells about 0.5 TWh per year.

Leading supplier of biofuels

In 2021, SCA produced 11.7 TWh of bioenergy. 9.2 TWh was used in SCA's own plants and 2.5 TWh was delivered to external customers. Of the external deliveries, 1.0 TWh consisted of processed biofuels, meaning wood pellets, and 1.5 TWh was unprocessed biofuels, meaning bark, sawdust and by-products from harvesting. SCA's production capacity at fully or partially owned plants is 300,000 tonnes of pellets per year.



Strategy

- Develop new position as a supplier of biofuels and green chemicals
- Prepare for increased production of biofuels and green chemicals adjacent to SCA's own industrial plants
- Maximize wind power on SCA's land and develop viable projects for investors
- Optimize production, product portfolio and profitability in the biofuel business

◀ A significant share of new wind power is being built on SCA's land. Access to renewable electricity is a key factor for Sweden's industrial development.



LOGISTICS

Our own logistics ensure punctuality and keep delivery and costs on track



LOGISTICS



Logistics is a core operation for a forestry company. Raw materials have to be delivered to production facilities and products shipped to customers worldwide. Due to its own logistics organization, SCA has been able to counter market turbulence and a strong increase in costs.

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 systems in both raw material supply and the distribution of finished products. In 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 SCA unit that uses most timber is the Östrand pulp mill, which is largely supplied by rail. Timber can also be transported from Southern and Central Sweden at a competitive cost by using efficient rail transportation.

Efficient road transport by truck 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 than previously allowed, while reducing environmental impact. 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.

SCA is working together with its suppliers to drive the development of electric trucks and forklifts.

Delivery of finished products

During a turbulent year such as 2021 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 products are transported by ship. SCA's exit from the publication paper area has changed the situation for logistics. Pulp and solid-wood products are transported using bulk carriers and containers. The ongoing 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. In 2021, there were major disruptions to global transport flows, particularly for containerized freight. There has also been a significant lack of capacity for trucks and other transportation, as well as rail-freight disruptions. SCA's logistics organization has successfully countered a large portion of these disruptions and cost-increases.

SCA's RoRo vessels are being optimized to transport kraftliner and return with input materials to SCA's industries. These vessels operate scheduled services and timetables between SCA's terminals in Umeå, Sundsvall, Kiel, Rotterdam and London, but also stop off at other ports during their northbound journey to provide competitive logistics services for external freight. The use of this transportation system enables SCA to maintain a high level of customer service at low transportation cost and environmental impact. During the year, SCA's vessels were upgraded with new systems for ballast water treatment, and hulls were modified to reduce energy consumption. Lubricating oil and grease have been replaced with biodegradable oil and grease in places where there is a risk of leakage into the sea following an accident. These oils are also biobased.

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.



SCA's platform for sustainable development





SUSTAINABLE DEVELOPMENT

**Sustainability is an integrated part of each of SCA's activities.
In prioritized areas, the company has established long-term
Group targets to be achieved by 2030.**



Fossil-free world

SCA generates climate benefits by growing forests that bind CO₂, renewable products that replace fossil-based products and lowering emissions from its own value chain.

Group target 2030
Increase SCA's climate benefit from 10 to 15 million tonnes of CO₂ per year.



Valuable forests

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

Group target 2030
100% of wood raw material to come from responsibly managed forests.



Efficient use of resources

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

Group target 2030
Zero waste.



Responsibility for people and the community

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

Group target 2030
An accident-free and healthy SCA.



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.

Sustainable development and a long-term approach

For forest owners in Northern Sweden, a long-term approach is the natural perspective. A seedling takes up to a century or more to grow into a mature tree and then – in an efficient processing chain – becomes solid-wood products, fiber products and bio-energy, products that can replace fossil materials and fuels.

In other respects, such as in terms of biodiversity, perspectives must be even longer and consider processes that extend over several centuries. One tree out of five in SCA's forests is left to live and die a natural death, become food for insects and wood-decay fungi, decompose, and become part of the long-term circular ecosystem.

Sustainability is an important aspect in each of the SCA'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 in order to find an optimal balance between different sustainability priorities.

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

These long-term targets will guide long-term priorities and be achieved by 2030.

◀ Cultivated seedlings, good site preparation and careful planting provide the new forest with an excellent start.



FOSSIL-FREE WORLD

From forest to renewable fuels





FOSSIL-FREE WORLD



The climate is the key issue of our time. In order to stem the trend toward a warmer and more chaotic climate, fossil CO₂ emissions must be reduced. Growing forests and products from renewable forest raw materials have a crucial role to play in leaving fossil carbon in the ground.

Forest – more than a carbon sink

The forest makes an important contribution to combating climate change. Through photosynthesis, the forest binds CO₂ from the atmosphere and stores it in the tree. When the tree is harvested, at least two new trees are planted to replace it and the harvested tree is used to make products that help society to reduce the use of products with a large carbon footprint.

An intensive discussion is taking place, particularly in the EU, about increasing the role of the forest as a carbon sink. The reasoning is that the forest can bind CO₂ from the atmosphere as it grows, which is then stored in the living biomass. Forest owners are to be encouraged to reduce harvesting and instead store carbon in standing forest. Such a policy would lead to a gradual reduction in forest growth, given that growth slows as trees age. The forest would also become more susceptible to risks such as storms, fire or insect damage, since older trees are less resilient to these threats than younger, more vigorous trees. Sooner or later every tree dies, decomposes and the bound carbon is released back into the atmosphere. Using forest as a carbon sink is therefore a short-term, uncertain, and increasingly risky climate policy.

Bio-based carbon reduction – key to climate efforts

In 2021, SCA contributed climate benefit of 10.5 million tonnes of CO₂. 5.8 million tonnes of this amount arose when products with a carbon footprint were replaced by products made from, or based on, biomass from the forest.

A reduction in harvesting would entail a decrease in the flow of renewable raw materials. The production of solid-wood products, pulp, paper and bioenergy would therefore decrease. At the same time, the needs met by these products would still exist. This would lead to an increase in the use of products that are a greater burden on climate and the environment – forest products from other countries with less sustainable forestry practices, and products such as concrete, aluminum, plastic, and fossil fuels. Using forest as a carbon sink does not even offer short-term benefits for the climate since the net sequestration of CO₂ in the forest is replaced by the increased burden on the climate brought about by the alternative consumption.

Effective work to combat climate change must focus on reducing fossil CO₂ emissions and leaving fossil carbon in the ground, not on compensating for continued fossil CO₂ emissions through the short-term storage of CO₂ in aging forests.

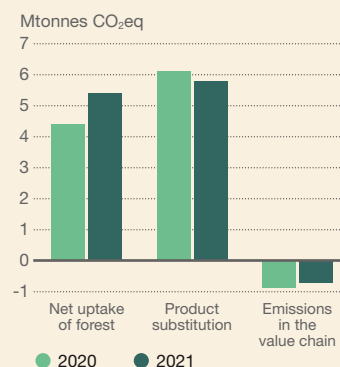
SCA's climate benefit

More than the fossil emissions from all of Sweden's passenger cars



Climate benefit in million tonnes of CO ₂ e	2021	2020
Net uptake in own forest	5.4	4.4
Products, substitution effect	5.8	6.1
Value chain (Scope 1, 2 and 3)	-0.7	-0.9
Total climate benefit	10.5	9.6

The table shows SCA's climate benefit in accordance with the model described by Holmgren and Kolar, see [sca.com](https://www.sca.com)



The change between years is discussed in Sustainability facts.

Read more on pages 146–147.

◀ Growing forests and products from renewable forest raw materials have a crucial role to play in our ability to leave fossil carbon in the ground.



VALUABLE FORESTS

Coordinated planning of all of the forest's values





VALUABLE FORESTS



Responsible forest management combines high levels of production of valuable renewable raw materials with extensive protection of the forest's other values and ecosystem services – biodiversity, reindeer herding, archaeological sites, nature experiences and much more.

Long-term planning

SCA's forests in Northern Sweden grow slowly, which requires a perspective extending for more than a century when planning forest operations. The forests are managed to provide higher growth and, over time, greater harvesting volumes. Since SCA began to systematically measure its forest at the end of the 1940s, standing volume – the volume of living, growing trees – has increased by more than 60% and growth has more than doubled. During these 70 years, SCA has also harvested more timber than what is currently standing on SCA's land.

This development has taken place because SCA has spent many years managing its forest with a long-term and conscientious approach. Standing volume, growth and harvesting potential will continue to increase. Correctly managed, the forest is a perpetual resource.

Ecological landscape planning

The objectives of SCA's forest operations extend beyond timber production. The most important sustainability target in the company's forest management is the protection of biodiversity. The conditions should be in place for all flora and fauna on SCA's land to enable them to continue living there in the future. This requires a variety of habitats in SCA's forests that can offer space for all of the forest's flora and fauna.

SCA's entire forest holding has been subject to ecological landscape planning for many years. The planning identifies forest areas with the highest conservation values, such as the presence of Red-listed species. These forests are set aside and left untouched or managed solely to promote conservation values. Such areas are known as voluntary set-asides. In forests with intermediate conservation values, land use is combined with measures to preserve or develop conservation values. These are called forests with combined targets. In forests with some, but more limited, conservation values, we apply adapted retention. This could mean that harvesting is adapted to the needs of a specific species by leaving a larger share of the forest as conservation patches and eternity trees.

The remaining parts of SCA's forests are managed with basic environmental consideration, so called basic retention, where conservation patches, buffer zones and trees are left after all harvesting and other forestry measures. No harvesting takes place on non-productive land and land that is not classified as forest land.

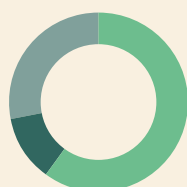
SCA's efforts to preserve and recreate habitats for Red-listed species that naturally occur in SCA's forests – our protected species – are presented in more detail on www.sca.com.

One tree out of five on SCA's productive forest land is left to live, to die a natural death, and ultimately to become a part of the natural circular ecosystem.

Responsible forest management

Through responsible fiber sourcing in combination with the protection of biodiversity

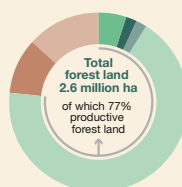
Responsible fiber sourcing



Certified forest management	60%
Chain of custody certified with SCA retention	12%
Chain of custody certified	28%

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.

Distribution of areas with nature conservation measures¹⁾



Voluntary set-asides (100% retention)	5%
Combined targets (>50% retention)	2%
Adapted retention (15–30% retention)	2%
Basic retention (~15% retention)	67%
Non-productive land (100% retention, protected)	10%
Non-forest land (not cultivated)	13%

The level of on-site retention indicates the balance between production and nature conservation, or in certain cases social values. For example, >50% retention leaves >50% of the stand untouched after harvest.

¹⁾ Percentage of area of the total land holding set aside, managed with varying levels of retention or comprising non-forest land.

Read more on pages 148–150.

◀ The Ural owl is a Red-listed species that requires thick stumps for nesting and open spaces for hunting, primarily of field mice.



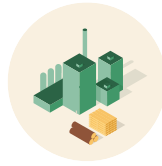
EFFICIENT USE OF RESOURCES

Increase value and decrease resource consumption





EFFICIENT USE OF RESOURCES



SCA is striving to reduce waste and resource consumption throughout its entire value chain and to raise the value of products and waste streams. This improves profitability and reduces impact on the climate and the environment.

Waste becomes products

Half a century ago, sawdust was a disposal problem. Waste from the production of wood products was sent to landfill or incinerated without harnessing the energy released. But later the sawdust started to be used as fuel in boilers that produced heat to dry timber, and since the 1990s sawdust has been used as a raw material in the production of fuel pellets.

Initially, the fuel pellets were used in large-scale CHP production, though cheaper and less advanced fuel could be used in such facilities. Instead, the pellets were used as fuel in smaller energy plants and by households. In 2011, SCA began to use the pellets as fuel in the chemical recycling unit at the Östrand pulp mill, thereby drastically reducing its use of fossil oil. SCA is now developing technology to use sawdust as a raw material in the production of biofuels.

Sawdust is a good example of how a waste stream from SCA's production has gone from being seen as waste to becoming

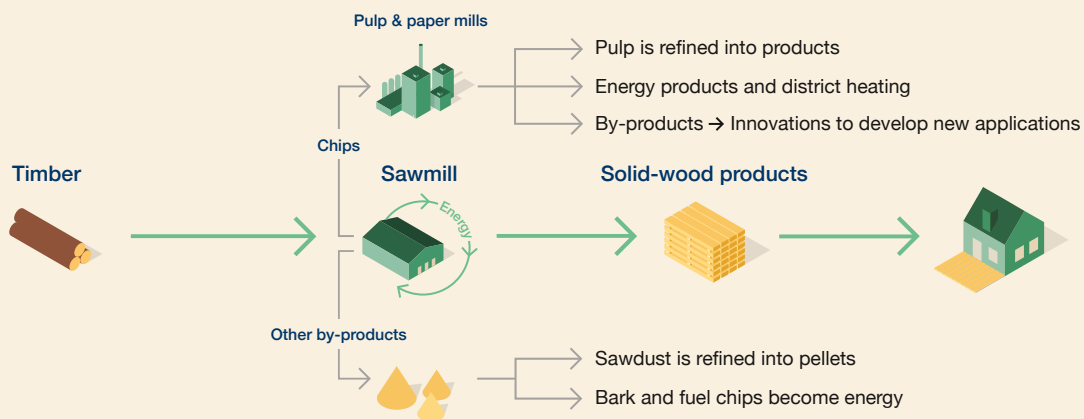
a raw material for increasingly valuable products. Several of the historical sawmill dumps are now used for fuel extraction or as soil improvement, depending on how far it has decomposed.

Reduced costs and increased value

Throughout its entire value chain, SCA is working systematically to reduce resource consumption and increase the value of the products it manufactures. These improvement initiatives do not only concern production but also planning, logistics and all other elements of the company's business.

A significant portion of SCA's innovation and development work now also concerns taking greater advantage of waste streams and finding ways to increase product values. For example, a study is investigating into ways to use residual products from pulp production as food for insect larvae, which in turn can be used as a source of protein.

Nothing goes to waste in the sawmill – example of efficient use of resources



Read more on pages 151–153.

◀ Sawdust is turned into fuel pellets, with the potential to become a raw material for advanced biofuel in the future.



RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

Health and safety a top priority



**The health and safety of employees is a top priority.
Work to reduce the risk of serious accidents is continuing, as well
as work to strengthen a health and safety culture that encompasses
all employees and elements in the company.**

Focus on the handling of coronavirus

The handling of the coronavirus pandemic remained one of the main health challenges at SCA in 2021. Major investments in Obbola, Bollsta and Ortviken required careful planning and targeted action to avoid the spread of infection among contractor employees and SCA's own employees. The same principle was applied to maintenance stoppages in other industries. Other operations have also put a great deal of thought and planning into efforts to avoid spreading the virus and to protect risk groups.

We can report that no significant outbreaks took place among SCA's employees. A few minor outbreaks among contractors' employees were swiftly halted and other groups were not infected. Concurrently, production and deliveries were maintained and investment projects are progressing on time.

Ongoing safety work

The goal of health and safety work is that no accidents should occur that result in sickness absence. Following the earlier positive trend, with a decreased number of accidents up to 2020, a slight increase was noted in 2021. The priority of current work is to reduce the risk of serious accidents. Preventive efforts,

including behavior-based safety and management safety rounds, have been maintained at a good or acceptable level, despite coronavirus restrictions and the need for measures to reduce the risk of spreading the virus.

Health and safety work is one of the performance parameters used as a basis for SCA's employee bonus.

Good working conditions

Extensive efforts are also being made to ensure that contractors and their employees have good and secure working conditions and a safe work environment.

Viable local communities

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.



◀ Behavior-based safety (BBS) is one tool to help in developing a good safety culture.



The share and the shareholders

The SCA share is quoted and traded on Nasdaq Stockholm.
In 2021, the company's share price increased by 12% and the market capitalization was approximately SEK 113bn at the end of the year.

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.

Share performance 2021

At the end of 2021, SCA's Class B share was listed at a price of SEK 160.75 (143.30) and SCA's Class A share at SEK 161.40 (147.80), corresponding to a market capitalization of SEK 113bn (101). SCA's Class B share increased by 12% (51) during the year. During the corresponding period, the index of the 30 most traded shares, OMX Stockholm 30, increased by 29% (6). The highest ever recorded closing price for SCA's Class B share was SEK 167.20, which was noted on August 11. The lowest closing price during the year was SEK 131.80, noted on November 8. The total shareholder return for SCA's Class B share in 2021 was 14%, which compares with a total shareholder return for OMX Stockholm 30 of 33%. Since the distribution of Essity in 2017, the total return for SCA's Class B share has been 170%, which compares with a total return for OMX Stockholm 30 of 67%.

Share trading

During 2021, trading on all marketplaces amounted to approximately 1,018 (1,611) million SCA shares. The largest share of trading was on Nasdaq Stockholm, where some 380 (606) million SCA shares changed hands. Average daily trading for SCA on Nasdaq Stockholm amounted to approximately 1.5 million

shares. During the year, the SCA share was also traded on other market places; 193 million shares on Cboe BXE, approximately 150 million shares on Cboe APA, and approximately 305 million shares on other market places.

Ownership structure

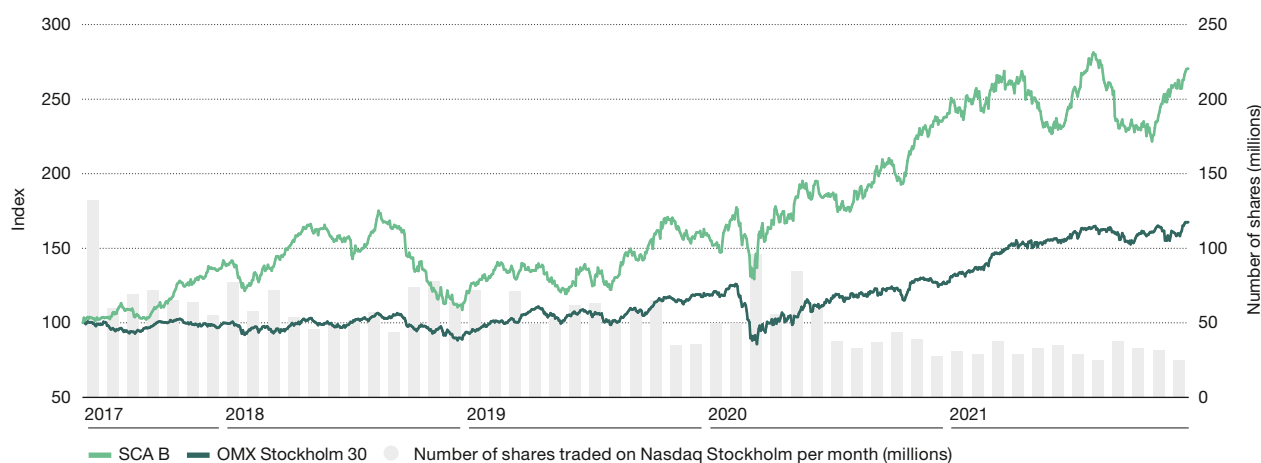
SCA had approximately 106,000 shareholders as of December 31, 2021. At the end of the year some 57% (61) of the share capital was owned by Swedish investors and 43% (39) by investors outside Sweden. Ownership was divided among Swedish institutions with 44%, foreign institutions with 35%, Swedish private individuals with 11% and other owners with 10% of the share capital. The US and Norway accounted for the highest percentages of shareholders registered outside Sweden.

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.

A dividend of SEK 2.00 per share was paid for the 2020 fiscal year. The Board of Directors proposes a dividend of SEK 3.25 per share for the 2021 fiscal year, of which SEK 2.25 is the regular dividend and SEK 1.00 an extra dividend.

Total shareholder return, index





THE SHARE AND THE SHAREHOLDERS

SCA's ten largest shareholders, as of December 31, 2021

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	2,100,000	56,517,185	8.3	6.0
Handelsbanken Pension fund	3,827,747	5,846,050	1.4	3.4
T. Rowe Price		28,014,872	4.0	2.2
Alecta Pensionsförsäkring		27,491,495	3.9	2.1
BlackRock	396	25,761,594	3.7	2.0
Swedbank Robur Funds		22,143,361	3.2	1.7
Vanguard	310,202	18,364,522	2.7	1.7
Livförsäkringsbolaget Skandia	1,476,411	2,738,788	0.6	1.4
Ten largest	49,566,046	267,624,324	45.2	59.5
Other	15,020,948	370,131,171	54.8	40.5
Total	64,586,994	637,755,495	100.0	100.0

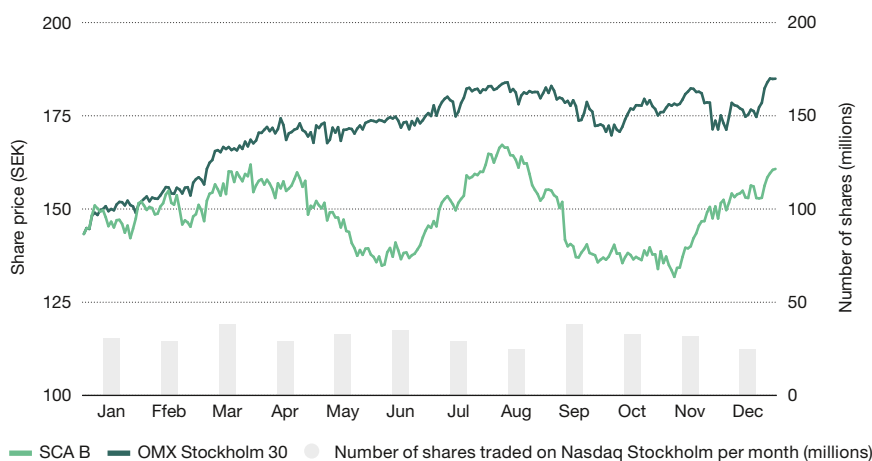
Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for certain shareholders.

Shareholder structure, as of December 31, 2021

Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1–500	78,932	10,313,062	1.5	1.7
501–1,000	11,813	9,093,713	1.3	1.5
1,001–5,000	12,278	26,582,218	3.8	4.4
5,001–10,000	1,608	11,562,793	1.6	1.9
10,001–20,000	638	9,073,028	1.3	1.2
20,001–50,000	329	10,338,890	1.5	1.6
50,001–100,000	131	9,608,345	1.4	1.3
100,001–	240	561,280,691	79.9	82.5
Anonymous owners		54,489,749	7.8	3.8
Total	105,969	702,342,489	100.0	100.0

Source: Modular Finance.

Share price and trading volume 2021



Source: Nasdaq

Shareholders by country, capital



Sweden	57%
US	17%
Norway	8%
Other	18%

Source: Modular Finance

Types of ownership, capital



Swedish institutional owners	44%
Foreign institutional owners	35%
Swedish private individuals	11%
Other	10%

Source: Modular Finance

Earnings per share (SEK)

8.69

Proposed dividend per share (SEK)

3.25



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 is maximizing the value of each tree.

Operations and organizational structure

The forest is at the core of SCA's operations. Around this resource, SCA has built an integrated and well-invested industry, which is utilizing and maximizing 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 also produce liquid biofuels and green chemicals. As Europe's largest private forest owner, SCA also has many areas of land with favorable wind conditions.

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 comprising 2.6 million hectares in Northern 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 Northern Sweden and wood processing and distribution to the building materials trade in Sweden and France.
- The Pulp business area is responsible for the pulp business, consisting of bleached softwood kraft pulp (NBSK) and chemi-thermomechanical pulp (CTMP), both currently produced at the Östrand pulp mill.
- The Containerboard business area is responsible for the containerboard business, with kraftliner manufacturing at the Obbola and Munksund paper mills. SCA discontinued its publication paper production during the first quarter of 2021.
- 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 Obbola kraftliner mill

In 2019, SCA decided to invest in a new paper machine for the production of kraftliner at the Obbola paper mill in Umeå. 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 and is recognized as a strategic investment. The investment includes environmental investments of approximately SEK 1bn, which include a reduction in oil consumption by 8,000 cubic meters per year and an improved 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 at the beginning of 2023. The new machine's ramp-up to full capacity is expected to take three years. The investment is progressing on time and on budget.

Investment in expanded pulp capacity

In 2020, 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 at the Ortviken site, where some existing infrastructure and mechanical equipment will be utilized. The project is progressing on time and on budget. Production is expected to start at the new facility at the beginning of 2023. The investment is recognized as a strategic investment.

SCA and St1 invest in the production of biofuels

SCA and St1 entered into an agreement in 2021 to form a joint venture to produce and sell liquid biofuels. The joint biorefinery will have access to SCA's tall oil, which is a residual product from the production of kraft pulp. SCA's part of the investment is approximately SEK 600m and is recognized as a strategic capital expenditure. The new biorefinery is expected to begin operations in the second quarter of 2023. As part of the agreement, St1 will also become a joint-owner of SCA Östrand Biorefinery, which is a development project.

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 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.

Investment in forest land in the Baltic states

SCA has an ongoing investment program to acquire 100,000 hectares of forest land in the Baltic states. At the end of 2021, SCA had a land area of about 44,000 hectares of forest land in Estonia and Latvia. The acquisitions are recognized as strategic capital expenditure and will strengthen SCA's long-term opportunities to source timber in the region.

Discontinuations

SCA discontinues publication paper manufacturing

SCA decided in 2020 to discontinue the publication paper operations consisting of three paper machines at the Ortviken site. All three paper machines were closed sequentially during the first quarter of 2021. The sale of the remaining inventory of publication paper is recognized in Other.



Forest assets

Increased standing volume

The annual gross growth in SCA's Swedish forest holding amounts to approximately 10.5 million m³fo, according to the survey conducted in 2019. SCA's total standing volume amounted to 261 million m³fo as of December 31, 2021, 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. According to the latest harvesting plan from 2020, 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.

Higher transaction prices for forest assets in Northern Sweden

SCA bases its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest. The market value of forest increased in 2021. The average market price on December 31, 2021 used in valuation of SCA's forest assets was SEK 324/m³fo. Applied to SCA's standing timber volume of 261 million m³fo at the end of the year (including approximately 3.9 million m³fo net growth during the year), the carrying amount of SCA's forest assets was SEK 84.5bn as of December 31, 2021. On December 31, 2020, the market price amounted to SEK 291/m³fo and the carrying amount was SEK 74.9bn.

Financial performance

Net sales

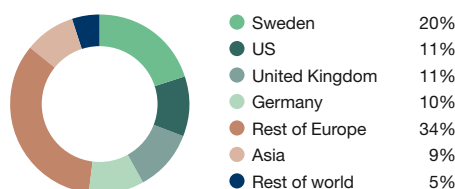
The discontinuation of publication paper operations was completed at the beginning of 2021, thereby securing a structure with a focus on growing markets that successively creates value. Demand and prices increased in all product areas during the year and production was at a stable level. Net sales amounted to SEK 18,822m (18,410), an increase of 2%, of which price/mix accounted for 28%, discontinuations –15%, divestments –9%, currency –3% and volume 1%.

Excluding the negative effects from the discontinuation of publication paper operations and the divestment of Wood Supply UK in the fourth quarter of 2020, net sales increased by 26%. The increase mainly related to higher selling prices in all product areas, which were offset by negative exchange rate effects.

In addition to net sales, SCA's other operating income amounted to SEK 2,649m (1,946) in 2021. Other operating income comprises products and services that are not SCA's core operations, such as energy products, sales of freight services to external customers and wind power leases (see Note B1 and B2).

SCA is an export-oriented company and approximately 80% of net sales relate to sales outside of Sweden. The largest individual export markets are the US (11% of net sales), the UK (11%) and Germany (10%).

Net sales by geography in 2021



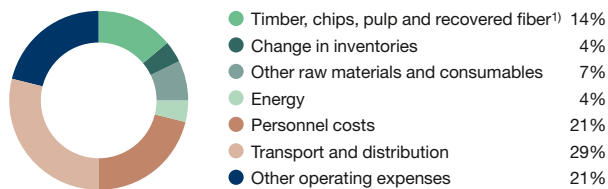
BOARD OF DIRECTORS' REPORT

Cost structure

SCA's total operating expenses in 2021 were SEK 12,433m (16,983), a decrease of 27% compared to 2020. The decrease was mainly related to improvements in productivity and costs following the closure of publication paper operations, when production ceased in the first quarter of 2021, and the divestment of Wood Supply UK in the fourth quarter of 2020. The item timber, woodchips and recovered fiber was reduced due to a positive change in the value of biological assets of SEK 1,753m (1,262). The largest share of the cost base comprises transportation and distribution costs (29%), personnel costs (21%), other operating expenses (21%) and sourced timber, woodchips and recovered fiber (14%).

Research and development (R&D) costs during the year amounted to SEK 31m (42).

Cost structure 2021



¹⁾ Timber, woodchips and recovered fiber also includes the change in value of biological assets.

Performance

Earnings for 2021 were the highest ever for SCA. EBITDA rose to SEK 9,109m (3,393), corresponding to an EBITDA margin of 48.4% (18.4). The change was mainly attributable to higher selling prices in all product areas, good productivity development and one-off items related to the discontinuation of publication paper operations recognized in 2020. Exchange rate effects had a negative impact on earnings. The cost of planned maintenance stops amounted to SEK 310m (260). The increase in EBITDA margin also related to the discontinuation of publication paper operations.

Depreciation, amortization and impairment amounted to SEK 1,475m (2,248). The decrease was mainly related to impairment of non-current assets attributable to the discontinuation of publication paper operations in the preceding year that amounted to SEK 647m.

Operating profit amounted to SEK 7,634m (1,145).

Financial items totaled SEK -107m (-117).

The Group's tax expense amounted to SEK 1,426m (261), corresponding to a tax rate of 18.9% (25.4).

Earnings per share amounted to SEK 8.69 (1.09)

Condensed consolidated income statement

SEKm	2021	2020	2020 ¹⁾	Comparison % ²⁾
Net sales	18,822	18,410	18,410	2
Other operating income	2,649	1,946	1,946	36
Operating expenses	-12,433	-16,983	-15,936	-27
Revenue from participations in associated companies	71	20	20	
EBITDA	9,109	3,393	4,440	168
Depreciation and impairment	-1,475	-2,248	-1,601	-34
Operating profit	7,634	1,145	2,839	567
Financial items	-107	-117	-117	
Profit before tax	7,527	1,028	2,722	632
Taxes	-1,426	-261	-483	
Profit for the period	6,101	767	2,239	695

Key figures

EBITDA margin, %	48.4	18.4	24.1
Earnings per share	8.69	1.09	3.19

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

²⁾ Compared with reported earnings in 2020.

Reasons for changes in EBITDA (%) in 2021 compared with 2020

	2021
Price/mix, %	160
Volume, %	1
Raw material costs, %	3
Energy costs, %	2
Currency, %	-15
One-off items for discontinuation of publication paper, %	31
Other, %	-14
Total, %	168



BOARD OF DIRECTORS' REPORT

Cash flow

The operating cash surplus amounted to SEK 7,226m (2,792). The cash flow effect of changes in working capital was SEK –306m (1,131). Restructuring expenditure related to the discontinuation of publication paper operations amounted to SEK –394m (0). Current capital expenditures, net, totaled SEK –1,236m (–1,224). Operating cash flow was SEK 5,216m (2,688). Financial items amounted to SEK –107m (–117) and tax payments increased to SEK –538m (–35). Strategic capital expenditures totaled SEK –3,723m (–1,414) and primarily related to the investment in increased kraftliner production in Obbola. Cash flow before dividend for the period was SEK 876m (723).

Operating cash flow statement

SEKm	2021	2020
Operating cash surplus	7,226	2,792
Change in working capital	–306	1,131
Structural expenses	–394	0
Current capital expenditures, net	–1,236	–1,224
Other operating cash flow	–74	–11
Operating cash flow	5,216	2,688
Financial items	–107	–117
Paid tax	–538	–35
Other	27	0
Cash flow from current operations	4,598	2,536
Company and asset acquisitions	0	–462
Divestments	0	63
Strategic capital expenditures in non-current assets	–3,723	–1,414
Cash flow before dividend	876	723

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 2021, operating income amounted to SEK 291m (273) and loss before tax amounted to SEK –20m (–120). For more information, refer to pages 124–132.

Holdings of treasury shares

SCA holds no treasury shares.

Distribution of shares

The total number of shares as per December 31, 2021, amounted to 702,342,489, of which 64,586,994 Class A shares and 637,755,495 Class B shares. At the request of shareholders, 678 Class A shares were converted to Class B shares in 2021.

Dividend

The Board of Directors proposes a dividend of SEK 3.25 per share, of which SEK 2.25 is the regular dividend and SEK 1.00 an extra dividend. The record date for entitlement to receive dividends is proposed as April 4, 2022.

Financial position

SCA's capital employed totaled SEK 90,807m (79,834) as of December 31, 2021, an increase during the year of SEK 10,973m. The increase was mainly related to the change in value of forest assets of SEK 9,597m. At December 31, 2021, net debt totaled SEK 7,752m, an increase during the year of SEK 81m. Net debt in relation to EBITDA amounted to 0.9x compared with 1.7x in the preceding year. Total equity increased by SEK 10,892m during the period, to SEK 83,055m at December 31, 2021.

Balance sheet structure

SEKm	Dec 31, 2021	Dec 31, 2020
Forest assets	84,497	74,900
Deferred tax related to forest assets	–16,905	–14,977
Working capital	2,823	2,759
Other capital employed, net	20,392	17,152
Total capital employed	90,807	79,834
Net debt	7,752	7,671
Net debt/EBITDA	0.9x	1.7x
Equity	83,055	72,163
Net debt/Equity, %	9.3	10.6

Environmental impact in Sweden

In 2021, 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 2021. 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.

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.

The Board of Directors has decided to propose to the 2022 Annual General Meeting (AGM) the following remuneration guidelines for determining salaries and other remuneration for senior executives to apply for the period following the AGM:



BOARD OF DIRECTORS' REPORT

These guidelines shall apply to remuneration to Board members, the President, vice President as well as other members of the senior management. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2022. 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 remuneration, other benefits and pension, jointly referred to as total remuneration. The company's business strategy can be found in the company's annual and sustainability report.

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, respectively, comprising financial goals, goals that contribute to such (including sustainability goals), or to the value development of the company's Class B share. It shall be linked to the fixed annual salary and be maximized. Variable remuneration is to be paid as cash remuneration and shall not qualify for pension benefits.

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. Remuneration that may be paid under such short-term performance goals shall not exceed 100 percent of the fixed annual salary.

Long-term performance goals shall be linked to the value development of the company's Class B share and the company's increased climate benefits. Remuneration that may be paid under such long-term performance goals, including Performance period, maximum amount and other main conditions, shall therefore be approved by the general meeting.

Total variable remuneration related to short-term performance goals and long-term performance goals in accordance with the description above shall not exceed 100 percent of the fixed annual salary.

Additionally, variable remuneration in the form of project bonuses may be awarded in individual cases. The performance goals shall, in such case, 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 percent 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 premium 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 premium pension shall total a maximum of 50 percent 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 the termination is initiated by the company, or one year, if termination is initiated by the manager. Severance pay shall not occur.

Decision-making process and reporting

Issues regarding remuneration to senior managers shall be dealt with by the Board of Directors' remuneration committee and, in case of the President, 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 managers, as well as monitoring and evaluating the application of these. The senior managers shall not participate in the Board of Directors' nor the remuneration committee's processing 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 derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation 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. They are also not applicable to agreements already signed.

Information about SCA's current guidelines for remuneration to senior executives, the application of the current guidelines and the company's costs for remuneration to senior executives is covered in note C3 of the company's annual report.

Description of significant changes compared to previous guidelines

These guidelines have been updated following the Board of Director's proposal concerning the implementations of a new long-term cash-based incentive program.



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 2021. This report relates to Svenska Cellulosa Aktiebolaget SCA (publ) and its subsidiaries, refer to Note F1 on page 120. The SCA Group, its operations and business model are described in the Board of Directors' Report on page 54. 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 68–73. 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 136–137. The table also shows how social conditions, personnel issues, the environment, human rights and anti-corruption form part of SCA's sustainability agenda.

For the 2021 fiscal year, the Swedish Annual Accounts Act has been extended to include requirements to report the portion of the operation's sales, operating costs and investments covered by the EU Sustainable Finance Taxonomy. As a voluntary disclosure, SCA has chosen to include the portion of capital employed covered by the taxonomy. The outcome for SCA is presented on page 160.

In addition to the information above, SCA's sustainability work and the outcome of this work is described in the Sustainability facts section, pages 133–161 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	10–13				
Policies and results	139, 136–137	154–157	143, 146–153, 158–159	142–144	143
Risks and risk management	61–67	62–64	62–64, 66–67	62–64	62–64
Targets and outcomes	135, 170–171	136–137, 143, 157	136–137, 143, 158–159	136–137, 142–144	136–137, 143–144



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 credibility and ability to be a 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 events occur. Most risks could have a positive or negative impact on the company. 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 its assessment of relevant risks.

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 and effective. The tools for this work primarily comprise continuous reporting by the business areas and the annual review of the risk scenario, 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. When a risk scenario changes during the year, the measurement and management of relevant risks are updated.

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.

Operational risks

Description of risk	Management and comments for the year
Demand and market price for SCA's products	
<p>Demand for SCA's products is influenced by several factors, such as the general economic trend, and also more specifically through 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 and growing need to replace fossil materials with renewable alternatives.</p> <p>Impact: ○ ○ ● Change: —</p>	<p>In 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 and price is based on supply and demand. Sales contracts can use market prices based on published price indexes, sometimes with a certain time lag to events in the market. Sales contracts can also state a price, which is for an open-ended period. Variations in market prices can cause significant fluctuations in profit for SCA.</p> <p>Several methods are used to address the risk of a fluctuating market price. Long-term contracts at fixed prices or price hedging only occur in exceptional cases. If the impact of price movements is expected to be negative and long-term, measures can be taken to adapt the cost scenario, for example, by renegotiating agreements, capacity or personnel changes, and reviewing the business structure. A transition to alternative production can also be considered where this is possible.</p> <p>The company's innovation efforts aim to develop new products, services and process solutions that enhance competitiveness.</p>
Raw material prices and other costs for input goods and services	
<p>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. About 79% of SCA's cost base of SEK 12,433m is made up of raw materials, input goods and services. SCA's cost structure is described in the Board of Directors' Report.</p> <p>Impact: ○ ○ ● Change: ↑</p>	<p>Price movements on input goods and services can be managed in several ways. SCA has an integrated value chain with raw material flows from forest raw materials to the finished forest products. Integration entails risk reduction. SCA's large forest holding also entails a risk reduction. In 2021, 52% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills.</p> <p>The price risk may also be reduced by using 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. The discontinuation of publication paper has significantly reduced net exposure to electricity prices. For 2022, approximately 40% of forecast electricity consumption has been hedged, for 2023 about 10% and for 2024 0% has been hedged. Under normal circumstances, no other price risks in input goods are hedged. Other alternatives to manage variations in costs include renegotiating contracts, looking for new suppliers or replacing input goods and services where prices have risen.</p> <p>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 competitors, meaning there is no structural disadvantage.</p>

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

● Low ● Medium ● High

Refers to change compared with the preceding year.

↑ Increased risk (impact and/or likelihood) — Unchanged risk ↓ Reduced risk



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
Environmental impact	
<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 operations.</p> <p>SCA's industrial operations in Sweden require a permit in accordance with the Swedish Environmental Code, which stipulates 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: ○ ● ○ Change: —</p>	<p>SCA's Sustainability Policy details guidelines for the Group's work in environmental and social responsibility. Each production unit sets targets to reduce its environmental impact. The targets are based on evaluations of environmental aspects. 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, as well as through 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. All employees are encouraged to report observations and incidents, which become part of efforts to achieve continuous improvements. SCA has spent many years striving to steadily increase the share of renewable energy and minimize waste.</p>
Climate change	
<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 and 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: ○ ● ○ Change: ↑</p>	<p>See page 66 for managing and comments and page 67 for disclosures according to the Task Force on Climate-related Financial Disclosures (TCFD) structure.</p>
Business ethics	
<p>Unethical behavior or poor management of risk linked to business ethics can damage SCA's brand and credibility. The company 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 and money laundering.</p> <p>Impact: ○ ● ○ Change: ↓</p>	<p>To ensure that SCA and its employees live up to the company's core values and is not involved in or linked to unethical business practices, SCA has a 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 a policy approved by the Board of Directors and is regularly reviewed. The Code includes principles on business ethics, relationships to employees, respect for human rights and environmental considerations. All employees are educated in the Code as part of the introduction for new employees and through refresher courses.</p> <p>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 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 on-site audits of SCA's units and of suppliers deemed to have a higher risk level. SCA has a whistleblower system where both internal and external parties can report suspected violations of the Code, which are processed by the company's Compliance Council.</p>
Legal risks	
<p>SCA conducts operations covered by laws, rules and regulations, much of which are subject to permits. SCA may be subject to commercial disputes and other legal procedures.</p> <p>Impact: ○ ● ○ Change: ↑</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 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
Reputational risk	
<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: ○ ● ○ Change: —</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 holds discussions with its stakeholders and regularly updates information on the company's website to satisfy various needs.</p>
Risks linked to forest operations and the forest holding	
<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 holding 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 production. Legislation may influence opportunities to conduct active and responsible forest management.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA works proactively and together with research institutes to continuously improve forestry methods and seedlings to enhance forest growth and to reduce impact on the forest landscape. SCA works in various ways and holds discussions with different stakeholders, to contribute fact-based supporting data of the benefits created through a responsible use of the forest and how forest operations impact the forest landscape.</p> <p>Active and responsible 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 usually only impact a limited part of the forest holding. The forest is therefore not insured. On the basis of the fire situation in previous years, SCA has drawn up procedures to minimize the risk of forest fires in connection with droughts. 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>
Biodiversity	
<p>SCA uses large quantities of forest raw material which is partly from its own forest and partly from other landowners. All forestry measures involve a risk of impacting biodiversity.</p> <p>Impact: ○ ● ○ Change: —</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 nature conservation measures are applied 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. Alternative forms of production are used and targeted action is taken. SCA takes specific responsibility for forest species that are at risk of being negatively affected by forest operations. For these species, SCA strives to guarantee access to habitats. 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, purchased timber must comply with FSC's Controlled Wood Standard.</p>
Risks at production plants	
<p>SCA has 16 production facilities, all of which are located in Sweden. 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 lead to production disruptions and cause delivery problems. When major projects are undertaken, there is a risk of disruption in the existing operations.</p> <p>Impact: ○ ● ○ Change: —</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. Important activities also include management's safety rounds, maintenance of plants, staff training, good orderliness, and documentation. Continuous action is taken to reduce risks by using, for example, risk assessments and undertaking constant improvements. All wholly owned plants are insured with market-leading insurance companies to replace 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 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
Impact of political decisions	
<p>SCA's operations are affected by political decisions and administrative rules, primarily in Sweden where SCA has most of its operations, but also at EU level. This impact could be from general regulations, such as rules covering taxation and financial reporting, but also by more specific regulations and practices. These include political decisions pertaining to forest operations, transportation and permit processes. Political decisions may restrict future harvesting levels.</p> <p>Impact: ○ ○ ● Change: ↑</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 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, attitudes toward biofuel and the use of recovered fiber. SCA monitors developments in prioritized areas, such as forest operations, biodiversity, fossil-fuel use, ecolabels, 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>
Customer dependency	
<p>In 2021, SCA's ten largest customers accounted for about 30% of SCA's net sales. The risk of too great a dependency on an individual customer is that lost sales from these customers could have a negative impact on SCA's earnings.</p> <p>Impact: ○ ● ○ Change: ↓</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 new customer segments over the years. Traditionally, solid-wood products are distributed by wholesalers. SCA has built up business relationships with distributors in the building materials trade, which are focused on distribution to consumers, including the DIY segment. In addition, certain construction components are manufactured for sale directly to the industry.</p>
Suppliers	
<p>SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in the value chain. 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 capacity to meet its commitments and on the mobility of products and services.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>To reduce this risk, SCA has supply contracts with multiple suppliers. For wood raw material purchased externally, SCA has created a purchasing 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. SCA may also sell silvicultural services to these forest owners. About 170 contractors are responsible for most of the harvesting, about 100 for transportation to SCA's industries and around 80 for forest management.</p> <p>For the 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>
IT security and IT risks	
<p>SCA relies on IT systems in its operating activities. 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 interlinked world.</p> <p>Impact: ○ ● ○ Change: ↑</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. The company's approach has been adapted and changes in accordance with the General Data Protection Regulation (GDPR). Employee awareness of the risks is raised through courses in IT security.</p>
Employee-related risks	
<p>SCA needs access to skilled and dedicated employees. The company must have an ability to attract and retain talent and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p> <p>Impact: ● ○ ○ Change: —</p>	<p>SCA's objective is that workplaces are to be accident-free and healthy and has a proactive approach toward the health and well-being of employees. The company carries out management training courses to develop and support managers in their leadership role.</p> <p>SCA follows an established process for succession planning to ensure the supply of leaders and specialists. SCA works with strategic skills supply to secure access to the right expertise in the short and long term. Employees are developed through training, coaching and learning as a part of everyday work as well as 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

Financial risks

Description of risk	Management and comments for the year												
Currency risk													
<p>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.</p> <p>Impact: ○ ○ ● Change: —</p>	<p>The table shows the net flows for the three largest currencies in 2021, 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:</p> <p>All balance sheet items in foreign currency are hedged, as is exposure in major approved and contracted investments in non-current assets.</p> <p>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 70% of the expected EUR, USD and GBP net exposure from sales minus purchases until the end of the second quarter of 2022, as well as approximately 50% for the third quarter of 2022 and 25% for the fourth quarter 2022. These had the following average exchange rates, EUR/SEK 10.26, USD/SEK 8.63, and GBP/SEK 11.94.</p> <p>Translation exposure, meaning the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK, is less important as the total assets in these companies only amount to approximately 2% of SCA's total assets. Translation exposure in the foreign subsidiaries is not currency-hedged.</p> <table> <tr> <th>Net flows</th><th>2021</th></tr> <tr> <td>EUR</td><td>EUR 557m</td></tr> <tr> <td>USD</td><td>USD 539m</td></tr> <tr> <td>GBP</td><td>GBP 137m</td></tr> <tr> <td>Others (translated to SEK)</td><td>SEK 613m</td></tr> <tr> <td>Total</td><td>SEK 12,502m</td></tr> </table>	Net flows	2021	EUR	EUR 557m	USD	USD 539m	GBP	GBP 137m	Others (translated to SEK)	SEK 613m	Total	SEK 12,502m
Net flows	2021												
EUR	EUR 557m												
USD	USD 539m												
GBP	GBP 137m												
Others (translated to SEK)	SEK 613m												
Total	SEK 12,502m												
Credit risk													
<p>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.</p> <p>Impact: ● ○ ○ Change: ↓</p>	<p>Credit exposure in accounts receivable amounted to SEK 2,516m as per December 31, 2021. 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 3,077m as per December 31, 2021. This exposure includes credit risk of SEK 1,056m for cash and cash equivalents and credit exposure in derivative instruments amounting to SEK 203m. The objective is that financial counterparties must have a credit rating of at least A- from at least two credit rating institutes.</p>												
Liquidity and refinancing risk													
<p>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.</p> <p>Impact: ● ○ ○ Change: ↓</p>	<p>As of December 31, 2021, SCA's gross debt amounted to SEK 10,567m and the average duration, including unutilized credit facilities, to 4.4 years (taking into account lease liability in accordance with IFRS 16).</p> <p>Unutilized credit facilities amounted to approximately SEK 10,008m at the end of the year, and cash and cash equivalents to SEK 1,056m. 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) raised SCA's credit rating to "BBB" with a stable outlook.</p> <p>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, 2021, SCA's financing mainly comprised one credit facility from a group of four banks with high credit ratings, bilateral loans and credit facilities from several banks and issued bonds.</p>												
Interest rate risk													
<p>Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA.</p> <p>Impact: ● ○ ○ Change: ↓</p>	<p>SCA's policy is that the average interest rate duration period shall be within the interval 3–36 months. SCA's average interest rate duration for the gross debt, including derivatives and excluding lease liability in accordance with IFRS 16, was about 25 months as of December 31, 2021. The risk is managed using fixed-interest loans or through interest rate derivatives. A sensitivity analysis is presented in Note E7.</p>												



RISKS AND RISK MANAGEMENT

Climate-related risks and opportunities

Climate-related physical risks			
	Risks	SCA's management	Opportunities for SCA
Acute	Extreme weather conditions occur more frequently.	Active forest management produces trees with greater vitality and higher resilience.	Forest holding with large geographical spread. Competent partner for private forest owners.
	Storms, floods, droughts and fires.	Diligent planning, for example in road construction and harvesting. High flexibility. Own logistics chain.	Developing seedling material adapted to new conditions.
	Insect and fungal damage.	Inventory. Preparedness for urgent measures. Own specialist expertise.	Participation in research projects to adapt forest operations to the new conditions.
Chronic	Higher average temperature.	Forest operations shift to more southern conditions. Living conditions for species that live in the forest may need to be adapted.	Extended growing seasons offer increased growth.

Climate-related transition risks			
	Risks	SCA's management	Opportunities for SCA
Political decisions and legislation	Limitations on ownership and/or right to the use of forest.	Discussions and collaboration forums with stakeholders. Advocacy activities through trade organizations, other collaborations and through own initiatives. High level of expertise in relevant areas.	Climate benefits through active forest operations and renewable products may offer favorable business opportunities. Given the right regulatory conditions and a positive climate of cooperation in the municipalities and regions in which SCA operates, the company has major development potential.
	Changes to fees and taxes on CO ₂ and transportation.		
	Terms and pricing for renewable energy.		
	Slow and unpredictable permit processes.		
Technological development	Development of new competing materials and new technologies. Increased recycling.	Use of relevant new technologies in pace with developments.	Renewable raw materials and sustainable value chain provide strong market position.
Market	Increased demand for sustainability at all stages of the life cycle. Changed consumer habits.	Communication about the company's sustainability agenda. Life cycle assessments.	Renewable raw materials and sustainable value chain provide strong market position.
Reputation	Perception of forest and forest operations.	Discussions and collaboration with stakeholders and own advocacy activities and participation in the general discussion about forest issues. Participation in research.	Collaboration and partnership may provide new business opportunities.



Task Force on Climate-related Financial Disclosures (TCFD)

The 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 not a member of the TCFD but has been working with these issues for many years. SCA's way of working with climate-related risks 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 and risk assessment for the company every year. Risks and opportunities are also managed on a continuous basis in the line organization and in cross-functional networks. When a risk scenario changes during the year, a review is conducted of risk management in the relevant areas. A follow-up of risk management may be performed by internal audit and internal control when needed, this is described further under Corporate governance in the Board of Directors' Report. Every year, the company conducts a climate review to assess fossil emissions in the value chain. The company calculates its contribution to climate benefits on an annual basis using the model presented on [sca.com](#). Read more about Corporate governance on pages 68–77 and 139.

Strategy

SCA has identified a number of climate-related risks and opportunities. These have been integrated into SCA's strategy for profitable growth and into the company's sustainability platform. SCA has, through its large forest assets and renewable products, a strong potential to play a significant role in the transition to a decarbonized society. This offers SCA new potential business opportunities that can be developed. In parallel, the company is striving to reduce the impact of climate change on its own operations, mainly within the area of forest operations. The company is taking part in external projects to obtain insights and develop forest management in the best possible way to adapt to changed circumstances.

To provide access to renewable energy for internal use and for society as a whole, 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. SCA is active in establishing large-scale wind power production on the company's forest land together with business partners. The company also works with the development of biofuel and has entered into a collaboration with St1. Read more on pages 16–19, 39 and 43.

Risk management

Within the framework of the company's risk management process, climate-related risks and opportunities have been identified. Read more about the process, identified risks and risk management on pages 61–66.

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. During the same period, fossil emissions in the value chain are to be halved, which is well in line with the Paris agreement's 1.5°C target. One important component in achieving the target of 15 million tonnes of CO₂ in climate benefit, is to identify new application areas for the company's products and to develop new products and revenue areas that contribute to high climate benefit. The company is to implement energy efficiency measures totaling at least 35 GWh per year until 2025. Wind power installed on SCA's land is to increase from 6.5 TWh today to 11 TWh by 2025. The company is striving to improve resource efficiency by increasing wood yield and by processing waste streams into new products. This is done through local targets at the company's units and is part of the Group's Zero waste target. SCA reports total climate benefit, GHG emissions in accordance with Scope 1–2–3 and other key figures related to energy and resource use that concern climate change. Read more on pages 136–137, 146–147, 151–153 and 158–159.



Corporate governance

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

Corporate governance, including remuneration, pages 68–77

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 2021 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 61–67

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 42–51, 133–161 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. The AGM appoints the company's Board of Directors and auditor, which are proposed by a Nomination Committee specifically elected by the AGM. The AGM also resolves on dividends, adoption of the annual accounts, fees to be paid to the company's Board and auditor, where applicable on guidelines for remuneration of senior executives, and other important matters.

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

The 2021 AGM 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.



CORPORATE GOVERNANCE

Audit Committee

The company's Board has, within itself, established an Audit Committee. The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management, and 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. The Remuneration Committee also 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, Containerboard, 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.

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 2022 Annual General Meeting (notice, Nomination Committee proposals including the Audit Committee's recommendation, Board proposal for guidelines 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 2021, 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.



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.

Activities during the year

Annual General Meeting

The AGM was held on Tuesday, April 15, 2021 through postal voting. A total of 813 shareholders were represented at the Meeting and these accounted for approximately 69.7% of the votes in the company. Eva Hägg, Attorney-at-Law, was elected Chairman of the Meeting.

The Meeting resolved that a dividend of SEK 2.00 per share be paid for the 2020 fiscal year. The AGM also decided on the re-election of Board members Pär Boman, Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson, Martin Lindqvist, Bert Nordberg, Anders Sundström and Barbara Milian Thoralfsson and the election of new Board member Carina Håkansson. Pär Boman was re-elected as the Chairman of the Board. Ernst & Young was re-elected as auditor for the period until the 2022 AGM. The Meeting also resolved on amendments to the Articles of Association. Furthermore, the Meeting resolved on approval of the remuneration report for 2020.

The minutes of the Meeting in full and information on the 2021 AGM 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 2022 AGM

The composition of the Nomination Committee for the 2022 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 2022 AGM is presented in the notice convening the AGM on SCA's website www.sca.com. The 2022 AGM will be held on March 31.

The Nomination Committee was convened on four occasions in 2021. 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 2021 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 2021 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 2022 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.



CORPORATE GOVERNANCE

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 2021 AGM. 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, Carina Håkansson, 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 72. 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 2022 AGM: Niclas Andersson, Roger Boström and Johanna Viklund Lindén and their deputies Maria Jonsson, Stefan Lundkvist and Peter Olsson. Further information concerning the Board members can be found on pages 74–75.

Board activities

In 2021, the Board was convened nine 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 2021, 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 2021, the evaluation took the form of a questionnaire 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 2021. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal audit reviews, audit work, 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 2021. Activities in 2021 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, among other, input from operations, management and the Board. The annual plan is approved by the Audit Committee. In 2021, 13 internal audit assignments were performed. Observations from the assignments are reported to the Audit Committee.

During 2021, 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.

External auditors

The 2021 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 2021. 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.



CORPORATE GOVERNANCE

Board of Directors and committees

Names	Elected	Dependence	The Board of Directors	Attendance	Audit Committee	Attendance	Remuneration Committee	Attendance
Pär Boman	2010	●	Chairman	9	Board member	6	Chairman	4
Charlotte Bengtsson	2017	●	Board member	9				
Lennart Evrell	2017		Board member	9			Board member	4
Annemarie Gardshol	2015		Board member	9				
Carina Håkansson*	2021		Board member	7				
Ulf Larsson	2017	●	Board member	9				
Martin Lindqvist	2017		Board member	8	Board member	5		
Bert Nordberg	2012		Board member	9			Board member	4
Anders Sundström	2018		Board member	9				
Barbara Milian Thoralfsson	2006		Board member	9	Chairman	6		

* Carina Håkansson joined the Board on April 15, 2021.

- 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, 2021, 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 2021

The Board of Directors	9
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-assessments followed up by a review by the internal control function. In some cases, these control measures are validated by internal audit 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 CEO, the CFO, and also internal audit in accordance with the annual audit plan. Internal audit reports its observations regularly to the Audit Committee. Internal audit's tasks include following up compliance with the company's policies. The results of the follow-up work are also 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 2021

In 2021, 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 controls. 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.

Chairman of the Board of SSAB. 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 of PostNord Group AB, Board member of Essity AB. Former President of PostNord Sverige AB, 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.



Carina Håkansson (1961)

BSc Forestry

Chairman of ÅForsk, Board member and member of Audit Committee of AFRY AB and Board member of Vasaloppet. Former President of the trade association Swedish Forest Industries between 2013–2020, President of DalaKraft between 2009–2013 and President of Stora Enso Skog between 2004–2009.

Elected: 2021
Class B shares: 9,100

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 and Board member of CEPI. 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: 20,000
Class 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. Member 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. Previously held various management positions in Ericsson Group and Digital Equipment Corp. President of SonyEricsson Mobile Communications AB between 2009–2012. Former Chairman of the Board of Sony Mobile Communications 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.



CORPORATE GOVERNANCE

Employee representatives



Anders Sundström (1952)

Academic studies in economy and politics

Chairman of the Board of SkiStar AB, Kaunis Holding, NMI Group, Hedlunda Industri AB, Ekhaga Utveckling AB and Nordion Energi 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.



Barbara Milian Thoralfsson (1959)

MBA, BA

Chairman of the Board of Exclusive Networks SA. Board member of Essity AB and Hilti AG. Member of Advisory Board at SpareBank 1 Markets. Former 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, Tandberg ASA and G4S Plc as well as industry advisor to EQT.

Elected: 2006

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



Niclas Andersson (1974)

Chairman GS trade union branch Building & Supply Solution, SCA Wood Scandinavia AB, Tunadal. Member of the Swedish Trade Union Confederation (LO).

Appointed: 2021

Class B shares: 20



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

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.

Peter Olsson (1975)

Chairman Ledarna (Swedish Organization for Managers), SCA Obbola AB, Member of the Council for Negotiation and Cooperation (PTK). Appointed 2021. Class B shares: 980

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 as of December 2021

Jan Svedjebrant (1955)

Master of Laws. Senior Vice President, Legal Affairs Group Function, General Counsel. Class B shares: 5,680

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2021.



Executive Management Team

**Ulf Larsson**

President and CEO
BSc Forestry
Employed since: 1992
Class A shares: 20,000
Class B shares: 100,000

Stina Danielsson

Senior Vice President, Human Resources
BA
Employed since: 2005
Class B shares: 6,656

Anders Edholm

Senior Vice President, Communications
Employed since: 2021
Class B shares: 3,000

Kristina Enander

President, Pulp
MSc Eng. chemical engineering in physics
Employed since: 1993
Class B shares: 12,916

Mikael Källgren

President, Renewable Energy
BSc Energy
Employed since: 2015
Class B shares: 4,685

Jerry Larsson

President, Wood
MSc Eng., MBA
Employed since: 2003
Class B shares: 7,050



CORPORATE GOVERNANCE



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



Jan Svedjebrant became General Counsel on December 1, 2021. He replaced Katarina Nilsson. Shareholdings: 5,680 Class B shares.

Toby Lawton

CFO
MA
Employed since: 2017
Class B shares: 14,082

Jonas Mårtensson

President, Forest
MSc Eng.
Employed since: 2005
Class B shares: 30,169

Katarina Nilsson

General Counsel until and including November 2021

Mats Nordlander

President, Paper
Dipl. Eng.
Employed since: 2015
Class B shares: 15,429

Magnus Svensson

President, Sourcing & Logistics
MSc Eng.
Employed since: 1993
Class A shares: 23,300
Class B shares: 44,380

Ole Terland

Senior Vice President, Strategic Development
Doctor of Technology
Employed since: 2016
Class A shares: 250
Class B shares: 38,909



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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



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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

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GROUP

Consolidated income statement **IS**

SEKm	Note	2021	2020 ¹⁾
Net sales	B1	18,822	18,410
Other operating income	B1, B2	2,649	1,946
Change in inventories		-531	-758
Change in value in biological assets	D3	1,753	1,262
Raw materials and consumables	B3	-4,453	-6,548
Personnel costs	C1	-2,603	-3,310
Other operating expenses	B4	-6,599	-7,629
Result from participations in associated companies	F2	71	20
EBITDA		9,109	3,393
Depreciation and impairment		-1,475	-2,248
Operating profit		7,634	1,145
Financial income	E7	43	36
Financial expenses	E7	-150	-153
Profit before tax		7,527	1,028
Income tax	B5	-1,426	-261
Profit for the period		6,101	767
Profit for the period attributable to:			
Owners of the Parent		6,101	767
Non-controlling interests		-	-
Average number of shares, millions		702.3	702.3
Earnings per share			
Earnings per share, SEK ²⁾		8.69	1.09
Dividend per share, SEK ³⁾		3.25	2.00

¹⁾ In 2021, SCA changed accounting principles relating to revenue from the sale of energy and tall oil, which is described in Note A1 under the Taxonomy heading. As a result of the changed accounting principles, the items other operating income, raw materials and consumables, and other operating expenses have been restated for 2020.

²⁾ There are no dilution effects.

³⁾ For 2021, the Board of Directors proposes a dividend of SEK 3.25 per share, of which SEK 2.25 is the regular dividend and SEK 1.00 constitutes an extra dividend.



GROUP

Consolidated statement of comprehensive income **OCI**

SEKm	Note	2021	2020
IS Profit for the period		6,101	767
Other comprehensive income for the period:			
<i>Items that cannot be transferred to profit for the period</i>			
Change in value land assets	D3	7,479	3,314
Revaluation of defined benefit pension plans		448	327
Income tax attributable to components in other comprehensive income		-1,631	-746
Total		6,296	2,895
<i>Items that have been or may be reclassified subsequently to the income statement</i>			
Cash flow hedges:			
Result from revaluation of derivatives recognized in equity		-8	-135
Transferred to the income statement for the period		-202	186
Hedge cost		-21	14
Translation differences in foreign operations		32	-75
Income tax attributable to components in other comprehensive income		48	-13
Total		-151	-23
Other comprehensive income for the period, net of tax		6,145	2,872
Total comprehensive income for the period		12,246	3,639
Total comprehensive income attributable to:			
EQ Owners of the Parent		12,246	3,639
EQ Non-controlling interests		-	-



GROUP

Consolidated statement of change in equity EQ

SEKm	2021	2020
Attributable to owners of the Parent		
Value January 1	72,163	68,510
OCI Total comprehensive income for the period	12,246	3,639
Cash flow hedge, transferred to cost of hedged investments	66	19
Tax on cash flow hedge, transferred to cost	-14	-4
Cash dividend	-1,405	-
Acquisition of non-controlling interests	-	0
Revaluation effect upon acquisition of non-controlling interests	-1	-1
Value December 31	83,055	72,163
Non-controlling interests		
Value January 1	-	0
OCI Total comprehensive income for the period	-	-
Acquisition of non-controlling interests	-	0
Value December 31	-	-
Total equity, value December 31	83,055	72,163

For further information, see Note E8.



GROUP

Consolidated balance sheet **BS**

SEKm	Note	2021	2020
ASSETS			
Non-current assets			
Goodwill	D1	-	-
Other intangible assets	D1	526	320
Buildings, land, machinery and equipment	D2	21,737	18,641
Forest assets	D3	84,497	74,900
<i>of which land assets</i>	D3	31,188	23,624
<i>of which biological assets</i>	D3	53,309	51,276
Right-of-use assets	D4	614	729
Holdings in associated companies	F2	428	378
Surplus in funded pension plans	C5	1,564	1,329
Non-current financial assets	E2	80	81
Deferred tax assets	B5	18	15
Other non-current assets		1	5
Total non-current assets		109,465	96,398
Current assets			
Inventories	D5	4,189	4,044
Trade receivables	E3	2,516	1,964
Current tax assets	B5	1	1
Other current receivables	D6	892	987
Current financial assets	E2	114	0
Cash and cash equivalents	E2	1,056	1,273
Total current assets		8,768	8,269
Total assets		118,233	104,667
EQUITY AND LIABILITIES			
Equity			
<i>Owners of the Parent</i>			
Share capital	E6, E8	2,350	2,350
Other capital provided		6,830	6,830
Reserves		23,161	17,320
Retained earnings including profit for the year		50,714	45,663
Total equity owners of the Parent		83,055	72,163
Non-current liabilities			
Non-current financial liabilities	E4	9,083	8,488
Provisions for pensions	C5	427	530
Deferred tax liabilities	B5	18,885	16,648
Other non-current provisions	D8	53	90
Other non-current liabilities	D7	50	135
Total non-current liabilities		28,498	25,891
Current liabilities			
Current financial liabilities	E4	1,056	1,336
Trade payables	D9	3,478	3,319
Current tax liabilities	B5	265	14
Current provisions	D8	239	744
Other current liabilities	D7	1,642	1,200
Total current liabilities		6,680	6,613
Total liabilities		35,178	32,504
Total equity and liabilities		118,233	104,667



GROUP

Consolidated cash flow statement **CF**

SEKm	Note	2021	2020
Operating activities			
Profit before tax		7,527	1,028
Payments relating to efficiency program already recognized		-394	-
T:1 Adjustment for non-cash items		-315	1,580
		6,818	2,608
Paid tax	B5	-538	-35
Cash flow from operating activities before changes in working capital		6,280	2,573
Cash flow from changes in working capital			
Change in			
Inventories		-163	780
Operating receivables		-445	-181
Operating liabilities		302	532
Cash flow from operating activities		5,974	3,704
Investing activities			
Company and asset acquisitions		0	-462
Divestments		0	63
T:2 Investments in intangible and tangible fixed assets		-5,111	-2,665
T:2 Sale of tangible fixed assets		193	108
Acquisition of financial assets		-4	-8
Loans granted to external parties		-22	-
Repayment of loans from external parties		11	-
Cash flow from investing activities		-4,933	-2,964
Financing activities			
Loans raised	E4	1,481	3,875
Amortization of debt	E4	-1,158	-3,588
Amortization of debt, leases	E4	-185	-197
Dividend		-1,405	-
Cash flow from financing activities		-1,267	90
Cash flow for the period		-226	830
Cash and cash equivalents, January 1		1,273	454
Exchange differences in cash and cash equivalents		9	-11
Cash and cash equivalents, December 31	E2	1,056	1,273

T:1 Adjustment for non-cash items

SEKm	2021	2020
Depreciation and impairment of non-current assets	1,475	2,248
Measurement of fair value of forest assets	-1,753	-1,262
Gain/loss on asset sales and swaps	-46	82
Unpaid pertaining to one-off items related to the discontinuation of publication paper operations	0	600
Dissolution of provisions	-6	-
Other	15	-88
Total	-315	1,580

T:2 Net investments in intangible and tangible fixed assets

SEKm	2021	2020
Current net investments in intangible and tangible fixed assets	-1,195	-1,143
Strategic net investments in intangible and tangible fixed assets	-3,723	-1,414
Total	-4,918	-2,557

For information concerning the Group's liquidity reserve, refer to the risk section on page 65.

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, comprehensive income, 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
Tx: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 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, 2021. 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 attributable 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

Changes to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

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 are due to issues that arise when a reference rate is replaced by an alternative rate and entails concessions during the transition. 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 110.

Classification of revenue

The income from district heating, electricity and tall oil has increased substantially in recent years and has become more significant for SCA. In 2021, SCA carried out a review of the accounting treatment of the revenue from the sales of energy and tall oil. Tall oil is a residual product that arises in connection with the production of pulp. As a consequence, changes were made to the accounting principle relating to revenue from the sales above. Revenue from the sale of tall oil was previously recognized as a reduction in costs on the raw materials and consumables line. Revenue from the sale of energy, such as district heating and electricity, was previously recognized as a reduction in energy costs on the other operating expenses line. This revenue is now recognized as other operating income. The application of the new accounting principle means financial statements contain reliable and more relevant information about the effects of transactions, other events or conditions on the company's financial position, financial performance and cash flow.

In view of the changed accounting principle, the comparative year in the annual accounts was restated in statements and notes. In 2020, this means other income increased by SEK 326m, costs for raw materials and consumables increased by SEK 133m and other operating expenses increased by SEK 193m. EBITDA, earnings per share and other key figures were not affected.

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. 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.

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

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 for energy from the sale of district heating and electricity, 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 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 net sales		
Key figure	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 figure	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	2021	2020
CAPITAL EMPLOYED		
Total assets	118,233	104,667
Financial assets and pension assets	-2,814	-2,683
Non-current, non-interest-bearing liabilities	-18,988	-16,873
Current, non-interest-bearing liabilities	-5,624	-5,277
Capital employed	90,807	79,834
CAPITAL EMPLOYED PER SEGMENT		
Forest	69,046	61,706
Wood	3,746	3,302
Pulp	8,021	8,781
Containerboard ¹⁾	8,989	7,739
Other ¹⁾	1,005	-1,694
Capital employed	90,807	79,834

¹⁾ The Paper segment changed name to Containerboard on January 1, 2021. Publication paper operations are included in 2020 and subsequently recognized in Other.

Key figure	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	2021	2020
WORKING CAPITAL		
Inventories	4,189	4,044
Trade receivables	2,516	1,964
Other current receivables	892	987
Trade payables	-3,478	-3,319
Other current liabilities	-1,642	-1,200
Adjustments ¹⁾	346	283
Working capital	2,823	2,759

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



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Key figure	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	2021	2020
NET DEBT		
Net debt January 1	7,671	8,597
Net cash flow	652	-633
Revaluations to equity	-448	-327
Lease liability	-114	-103
Exchange rate effects and market value changes	-9	137
Net debt December 31	7,752	7,671
Surplus in funded pension plans	1,564	1,329
Non-current financial assets	80	81
Current financial assets	114	0
Cash and cash equivalents	1,056	1,273
Financial assets	2,814	2,683
Non-current financial liabilities	9,083	8,488
Provisions for pensions	427	530
Current financial liabilities	1,056	1,336
Financial liabilities	10,566	10,354
Net debt	7,752	7,671

Key figure	Description	Application of the measure
Debt/equity ratio	Net debt in relation to equity	Shows financial risk and is used by 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 figure	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	Containerboard	Other	Group
2021 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit, SEKm	2,406	2,739	1,525	1,332	-368	7,634
Average capital employed, SEKm	63,711	3,575	8,664	4,491	-192	80,249
Average ongoing strategic capital expenditures, SEKm	-	-	-	3,471	541	4,012
Return on capital employed, ROCE, %	3.8					9.0
Return on capital employed, industrial ROCE, %		76.6	17.6	30.0		33.0

SEKm	Forest	Wood	Pulp	Containerboard ¹⁾	Other	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

¹⁾ The Paper segment changed name to Containerboard on January 1, 2021. Publication paper operations are included in 2020 and subsequently recognized in Other.



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CASH FLOW PERFORMANCE MEASURES		
Various performance measures and costs that have impacted the company's cash flow		
Key figure	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	2021	2020
OPERATING CASH FLOW		
Forest		
Operating cash surplus	878	948
Change in working capital	253	226
Current capital expenditures, net	-359	-358
Other	-9	1
Operating cash flow	763	817
Wood		
Operating cash surplus	2,885	628
Change in working capital	-451	235
Current capital expenditures, net	-431	-281
Other	-25	-9
Operating cash flow	1,978	573
Pulp		
Operating cash surplus	2,084	613
Change in working capital	-84	6
Current capital expenditures, net	-138	-158
Other	-1	7
Operating cash flow	1,861	468
Containerboard¹⁾		
Operating cash surplus	1,761	1,196
Change in working capital	-23	237
Current capital expenditures, net	-242	-244
Other	-2	12
Operating cash flow	1,494	1,201

¹⁾ The Paper segment changed name to Containerboard on January 1, 2021. Publication paper operations are included in 2020 and subsequently recognized in Other.

Key figure	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 capital expenditures, net	Current capital expenditures, net 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	2021	2020 ¹⁾	2020
IS EBITDA	9,109	4,440	3,393
Changes in value biological assets and other non-cash items	-1,883	-1,287	-601
Operating cash surplus	7,226	3,153	2,792
Change in working capital	-306	745	1,131
Restructuring costs	-394	-	-
Current net investments ²⁾	-1,236	-1,201	-1,224
Other operating cash flow	-74	-12	-11
Operating cash flow	5,216	2,685	2,688

¹⁾ Excluding one-off items from the discontinuation of publication paper operations.

²⁾ Includes SEK -40m (-81) from new, revaluated 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 68.

A description of the four operating segments can be found on pages 20–37.

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.

KAA 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 48% 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.

SCA has determined that all revenue recognized as net sales and other operating income pertaining to goods and services constitute revenue from contracts with customers. Net sales comprise the sales of goods.

TB1:1 Group by country

	Net sales – sold by ¹⁾				Average number of employees						Non-current assets ²⁾	
	2021		2020		2021	Of whom, %		2020	Of whom, %		2021 SEKm	2020 SEKm
	SEKm	%	SEKm	%		men	women		men	women		
Sweden	18,218	97	16,206	88	3,501	78	22	3,888	79	21	105,501	92,910
United Kingdom	167	1	1,777	10	12	54	46	226	87	13	82	0
Germany	-	-	-	-	30	58	42	42	53	47	34	1
Rest of Europe												
Latvia	-	-	-	-	15	47	53	13	43	57	1,223	1,229
Estonia	4	0	-	-	8	62	38	9	66	34	533	448
France	-	-	-	-	2	100	-	7	71	29	-	1
Netherlands	-	-	-	-	1	100	-	2	100	-	-	-
Belgium	-	-	-	-	1	100	-	2	100	-	-	1
Total, rest of Europe	4	-	-	-	27	58	42	33	61	39	1,756	1,679
Asia												
Hong Kong	433	2	427	2	7	43	57	7	43	57	1	0
Total Asia	433	2	427	2	7	43	57	7	43	57	1	0
Total Group	18,822	100	18,410	100	3,577	78	22	4,196	79	21	107,374	94,590

¹⁾ "Sold by" means revenue from external customers based on where SCA's sales subsidiary has its registered office.

²⁾ Non-current assets comprise goodwill, other intangible assets, buildings, land, machinery and equipment, forest assets and right-of-use assets.



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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.

Operating segments

SCA recognizes four operating segments in accordance with IFRS 8.

The Forest segment supplies SCA's industries with timber. The segment includes managing and harvesting on SCA's own forest land, sourcing timber from other forest owners and transporting the timber to SCA's industries. The segment also includes activities in sustainable energy linked to the forest, primarily wind power leases and the sale of by-products from the forest for energy purposes. SCA's own forest land amounts to 2.6 million hectares in Northern Sweden and the Baltic states.

The Wood segment includes five sawmills in Northern Sweden and wood processing and distribution to the building materials trade in Sweden and France. The segment also includes activities in sustainable energy that are primarily linked to pellets production.

The Pulp segment encompasses the production and sale of bleached softwood kraft pulp (NBSK) and chemi-thermomechanical pulp (CTMP), which are produced at the Östrand pulp mill. The Östrand pulp mill is also a net producer of green energy and by-products such as tall oil and turpentine.

The Paper segment comprised containerboard and publication paper up to and including 2020. The Paper segment changed name to Containerboard on January 1, 2021 in conjunction with the discontinuation of publication paper operations. The sale of the remaining inventory of publication paper following the discontinuation was recognized in the segment Other as of January 1, 2021. The Containerboard segment therefore now includes exclusively packaging paper (kraftliner), with manufacturing at the Obbola and Munksund paper mills.

Reporting by operating segment

SEKm	Forest	Wood	Pulp	Container-board	Other	Eliminations	Total Group
2021 fiscal year							
TB1:1 TB1:2 External sales	4	7,080	5,716	5,456	566		18,822
Internal sales	6,144	-	27	-	-	-6,171	-
IS Net sales	6,148	7,080	5,743	5,456	566	-6,171	18,822
Other operating income	648	1,011	1,413	1,136	507	-2,066	2,649
of which goods	455	626	412	159	64	-316	1,400
of which services	20	316	895	902	238	-1,640	731
of which leases	72	7	-	-	9	-	88
of which other operating income	101	62	106	75	196	-110	430
Operating expenses	-4,152	-5,194	-5,060	-4,831	-1,433	8,237	-12,433
Result from participations in associated companies	-	71	-	-	-		71
EBITDA	2,644	2,968	2,096	1,761	-360		9,109
Depreciation and impairment	-238	-229	-571	-430	-7		-1,475
Operating profit	2,406	2,739	1,525	1,331	-367		7,634
Other disclosures							
Capital employed	69,046	3,746	8,021	8,989	1,005		90,807
Net investments ¹⁾	-478	-431	-250	-3,264	-536		-4,959

¹⁾ Includes SEK -40m from new, remeasured and terminated lease contracts in 2021.

SEKm	Forest	Wood	Pulp	Container-board ¹⁾	Other	Eliminations	Total Group
2020 fiscal year							
TB1:1 TB1:2 External sales	-	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	880	1,006	1,686	58	-2,302	1,946
of which goods	559	572	281	132	-11	-305	1,228
of which services	56	287	763	1,551	69	-2,004	722
of which leases	-	1	-	-	-	-	1
of which other operating income	3	20	-38	3	-	7	-5
Operating expenses	-4,891	-6,539	-4,823	-8,412	-1,338	9,021	-16,983
Result from participations in associated companies	-	20	-	-	-		20
EBITDA	2,213	657	614	1,190	-1,281		3,393
Depreciation and impairment	-226	-249	-540	-550	-682		-2,248
Operating profit	1,987	407	73	640	-1,963		1,145
Other disclosures							
Capital employed	61,706	3,302	8,781	7,739	-1,694		79,834
Net investments ²⁾	-435	-281	-237	-1,497	-189		-2,639

¹⁾ The Paper segment changed name to Containerboard on January 1, 2021. Publication paper operations are included in 2020 and subsequently recognized in Other.

²⁾ Includes SEK -81m from new, remeasured and terminated lease contracts in 2020.



GROUP

Customers

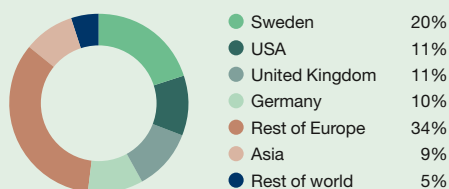
SCA's ten largest customers account for 32% (31) of the company's sales. Revenue from the largest customer amounts to SEK 2,440m (2,113), which represents 13% (11) of net sales, and is reported in the Containerboard segment.

TB1:2 Group by country

	Net sales – sold to ¹⁾			
	2021		2020	
	SEKm	%	SEKm	%
Sweden	3,703	20	2,587	14
USA	2,114	11	1,352	7
United Kingdom	2,033	11	3,503	19
Germany	1,875	10	2,132	12
Rest of Europe				
Norway	1,270	7	861	5
France	906	5	934	5
Spain	634	3	518	3
Denmark	530	3	522	3
Finland	491	3	337	2
Poland	444	2	576	3
Italy	412	2	393	2
Netherlands	347	2	436	2
Turkey	246	1	226	1
Belgium	239	1	271	1
Other	945	5	868	5
Total, rest of Europe	6,464	34	5,942	32
Asia				
Japan	786	4	524	3
China	402	2	707	4
Other	523	3	571	3
Total Asia	1,711	9	1,802	10
Rest of world				
Morocco	430	2	279	2
Other	492	3	813	4
Total, rest of world	922	5	1,092	6
Total Group	18,822	100	18,410	100

¹⁾ Net sales recognized as "Sold to" compiles sales to countries where SCA has its customers.

Net sales by geography in 2021



B2. OTHER OPERATING INCOME

Specification of other operating income

SEKm	2021	2020
Transportation	699	841
Energy	913	856
Leases	89	1
Other	948	248
IS Total	2,649	1,946

Other disclosures

Government grants received increased other operating income by SEK 28m (19).

B3. RAW MATERIALS AND CONSUMABLES

Specification of raw materials and consumables

SEKm	2021	2020
Timber and chips	-2,909	-3,196
Other raw materials and consumables	-1,507	-1,880
Goods purchased for resale	-37	-1,472
IS Total	-4,453	-6,548

B4. OTHER OPERATING EXPENSES

Specification of other operating expenses

SEKm	2021	2020
Transportation	-3,578	-3,718
Energy	-496	-948
Repairs and maintenance	-665	-821
IT, telephony and rents	-377	-233
Other	-1,483	-1,909
IS Total	-6,599	-7,629

Other disclosures

Government grants received reduced operating expenses by SEK 133m (105). Costs for research and development amounted to SEK 31m (42) in 2021.

Specification of auditing expenses

SEKm	2021	2020
EY		
Audit assignments	-10	-9
Auditing activities other than the audit assignment	0	-1
Total EY	-10	-10
Other auditors		
Audit assignments	-1	0
Total other auditors	-1	0
Total	-11	-10

GROUP

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 other 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, 2021, SEK 18m (15) was recognized as deferred tax assets based on best assessment of future taxable profits in the Group. At year-end 2021, the Group also had tax loss carryforwards of SEK 50m (46), 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 2021 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.

TB5:1 Tax expense

Tax expense (+), tax income (–)

SEKm	2021		2020	
	SEKm	% ¹⁾	SEKm	% ¹⁾
Current tax				
Income tax for the period	736	9.8	146	14.2
Adjustments for other periods	53	0.7	6	0.6
Current tax expense	789	10.5	152	14.8
Deferred tax				
Changes in temporary differences	756	10.0	80	7.8
Adjustments for other periods	–119	–1.6	32	3.1
Revaluation	0	0.0	–3	–0.3
TB5:3 Deferred tax expense	637	8.4	109	10.6
IS Tax expense	1,426	18.9	261	25.4

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	2021		2020	
	SEKm	%	SEKm	%
Profit before tax	7,527		1,028	
IS Tax expense	1,426	18.9	261	25.4
Expected tax expense	1,549	20.6	193	18.8
Difference	–123	–1.7	68	6.6
The difference is due to:				
Permanent differences between accounting and taxable result				
Other permanent effects ¹⁾	–57	–0.8	35	3.4
Taxes related to other periods ²⁾	–65	–0.9	38	3.7
Changes in the value of deferred tax assets	0	0	–2	–0.2
Changes in tax rates ³⁾	–1	0	–3	–0.3
Total	–123	–1.7	68	6.6

¹⁾ Other permanent effects in 2021 relate primarily to non-taxable earnings from associated companies and non-taxable income relating to tonnage tax. 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.

²⁾ Taxes attributable to other periods in 2021 relate, for the most part, to future tax deductions attributable to investments in equipment and adjustments to previous tax assessments. Taxes attributable to other 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.

³⁾ The changed tax rates in 2021 are mainly attributable to the impending raise in the corporate tax rate in the UK. The changed tax rates in 2020 pertain mainly to the reduction in the Swedish corporate tax rate.

GROUP

Current tax liability

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

SEKm	2021	2020
Value January 1	13	-96
TB5:1 Current tax expense	789	152
CF TB5:2 Paid tax	-538	-35
Translation differences	0	1
Other changes from acquisitions, divestments	0	-9
Value December 31	264	13
BS of which current tax liability	265	14
BS of which current tax asset	-1	-1

TB5:2 Paid tax

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

SEKm	2021	2020
France	-	0
Sweden	-530	-24
United Kingdom	-3	-1
Germany	-5	-9
Other	0	-1
CF Total	-538	-35

TB5:3 Deferred tax liability 2021

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

SEKm	Value January 1	Deferred tax expense	Other changes ¹⁾	Value December 31
Intangible fixed assets	3	0	0	3
Tangible fixed assets	1,746	163	0	1,909
Forest assets	14,977	389	1,539	16,905
Financial non-current assets	247	-14	55	288
Current assets	-12	-28	-19	-59
Provisions	-231	93	38	-100
Liabilities	-113	79	24	-10
Future tax credits and tax loss carryforwards ²⁾	-17	-58	0	-75
Other	33	13	-40	6
BS Total³⁾	16,633	637	1,597	18,867

¹⁾ Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK 92m and IFRS 9 hedge accounting derivatives of SEK -34m. Furthermore, deferred tax attributable to the change in fair value of land assets of SEK 1,539m is included.

²⁾ Future tax credits and tax loss carryforwards are distributed between deferred tax of SEK -72m relating to tax deductions for investments in equipment as well as deferred tax for future loss carryforwards of SEK -3m.

³⁾ The closing deferred tax liability comprises deferred tax assets of SEK 18m (15) and deferred tax liabilities of SEK 18,885m (16,648).

Loss carryforwards

Future tax credits and loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount of SEK -3m 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 SEK 50m (46), gross, at December 31, 2021, see table **TB5:4**. The tax value of uncanceled 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, 2021

Year of maturity	SEKm
Indefinite life	50
Total	50



C. EMPLOYEES

C1. PERSONNEL COSTS

Personnel costs

SEKm	Note	2021	2020
Salaries and remuneration		-1,862	-2,101
TC3:1 of which Executive Management		-68	-56
of which Board	C4	-8	-8
Pension costs		-251	-228
of which defined benefit pension costs		-100	-77
of which other pension costs		-151	-151
Other social security costs		-482	-614
Other personnel costs		-8	-367 ¹⁾
IS Total personnel costs		-2,603	-3,310

¹⁾ 2020 includes items related to discontinuation of SCA's publication paper operations of approximately SEK 300m.

C2. PERSONNEL DATA

Average number of employees

	2021	2020
Average number of employees	3,577	4,196
of whom men	2,789	3,311
of whom women	788	885

C3. REMUNERATION OF SENIOR EXECUTIVES

Guidelines for remuneration of senior executives

These guidelines were adopted by the 2020 AGM and shall thereafter 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 being 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 16.

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. Variable remuneration is to be paid as cash remuneration and shall not qualify for pension benefits. Both the short-term and the long-term portion shall be capped and not 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% stronger outcome for the SCA share compared to the peer group index over the multiple-year period. Payment of remuneration for the achievement 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 achievement 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 amount to 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 decide 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.

GROUP

Application of guidelines for remuneration of senior executives 2021

In 2021, the company has complied with the applicable remuneration guidelines as adopted by the Annual General Meeting (AGM). No departures took place from the guidelines nor deviations from the decision-making process stated in the guidelines and to be applied when determining remuneration. The auditor statement on the company's compliance with the guidelines is available on www.sca.com. There were no demands to repay remuneration.

Fixed salary

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

Variable remuneration

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

The short-term variable remuneration (Short Term Incentive, STI) could, 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 2021 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 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 the Wood, Pulp and Containerboard business area presidents, the STI targets in addition to Group-wide targets relate to EBITDA, operating cash flow as well as return on capital employed for each segment. 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) could, 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 Class B shares in SCA. The acquired shares may then not be sold within three years of the purchase.

The LTI goal is based on the performance of the company's Class B share over a three-year period, measured using the Total Shareholder Return (TSR) index compared with a weighted index using a comparison group. The maximum outcome required 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 CEO and other senior executives, STI resulted in 92% of the annual maximum STI payment for 2021. The LTI target was achieved for 2019–2021, 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. 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 pertained to company cars and any other agreed 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 71.

Current guidelines

The guidelines for determining salaries and other remuneration for senior executives as resolved by the 2020 AGM, apply until the 2022 AGM. The remuneration guidelines are presented on page 54 of the Board of Directors' Report, which the Board of Directors has decided to propose to the 2022 AGM to apply for the period following the AGM.



GROUP

TC3:1 Remuneration and other benefits in 2021

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO ³⁾	9,625,000	9,240,000	133,247	18,998,247
Other senior executives (11 persons) ⁴⁾	27,219,969	20,257,360	1,124,346	48,601,675
Total	36,844,969	29,497,360	1,257,593	67,599,922

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 2021 fiscal year but is paid in 2022.

³⁾ The LTI program includes variable remuneration of SEK 4,812,500.

⁴⁾ The LTI program includes variable remuneration of SEK 10,176,000.

Remuneration and other benefits in 2020

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO ³⁾	9,250,000	5,725,750	130,078	15,105,828
Other senior executives (11 persons) ⁴⁾	26,155,200	13,222,128	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⁾ The LTI program includes variable remuneration of SEK 4,625,000.

⁴⁾ The LTI program includes variable remuneration of SEK 10,458,000.

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

Pension costs 2021¹⁾

SEK	
President and CEO ²⁾	4,020,610
Other senior executives (11 persons) ²⁾	9,115,953
Total	13,136,563

¹⁾ The pension costs pertain to the costs that affected profit for 2021, excluding pension tax expense.

²⁾ Outstanding pension obligations to all senior executives, including the President and CEO, amounted to SEK 37,499,324 (value as of December 31, 2021). These primarily consist of defined benefit pension plans.

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.

C4. FEES TO BOARD MEMBERS IN THE PARENT COMPANY

Remuneration to non-executive Board members refers to the established fees approved at the 2021 AGM, for the period until the next AGM in March 2022. No remuneration is paid to the President and CEO and other employees.

SEK	Board fee		Audit Committee fee		Remuneration Committee fee		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Pär Boman	1,950,000	1,875,000	270,000	260,000	140,000	140,000	2,360,000	2,275,000
Charlotte Bengtsson	650,000	625,000	-	-	-	-	650,000	625,000
Lennart Evrell	650,000	625,000	-	-	115,000	110,000	765,000	735,000
Annemarie Gardshol	650,000	625,000	-	-	-	-	650,000	625,000
Carina Håkansson	650,000	-	-	-	-	-	650,000	-
Martin Lindqvist	650,000	625,000	270,000	260,000	-	-	920,000	885,000
Lotta Lyrå	-	112,848	-	-	-	-	-	112,848
Bert Nordberg	650,000	625,000	-	-	115,000	110,000	765,000	735,000
Anders Sundström	650,000	625,000	-	-	-	-	650,000	625,000
Barbara Milian Thoralfsson	650,000	625,000	375,000	360,000	-	-	1,025,000	985,000
Total	7,150,000	6,362,848	915,000	880,000	370,000	360,000	8,435,000	7,602,848

At the end of the year, SCA's Board consisted of 4 women and 6 men. Lotta Lyrå left the SCA Board in June 2020 at her own request.

C5. REMUNERATION AFTER COMPLETION OF 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 interest income (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 Employee Benefits. 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. Principal 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	2021	2020
TC5:2 Defined benefit obligations	1,888	2,087
TC5:3 Fair value of plan assets	-3,997	-3,778
TC5:4 Effect of asset ceiling	972	892
TC5:1 Provision for pensions, net	-1,137	-799

Surpluses in funded plans recognized as financial non-current assets amounted to **BS** SEK 1,564m (1,329) on the balance sheet date and provisions for pensions totaled **BS** SEK 427m (530). Defined benefit obligations include obligations in an amount of SEK 145m (164) 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	558	468	545	1,571	-2,886	-	-1,315	19
Other	203	22	92	317	-1,111	972	178	12
Total	761	490	637	1,888	-3,997	972	-1,137	

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. During the year, SCA has changed actuary.

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

There are a number of minor pension obligations in Germany and Sweden. Some of these plans are funded.

Costs for the period for defined benefit plans

SEKm	2021	2020
Current service cost, after deduction for premiums paid by the employees	-96	-211
Pension tax expense	-18	-9
Net interest	5	5
Pension costs before effects of reductions and settlements	-109	-215
Reductions and settlements	-	30
Pension costs after effects of reductions and settlements	-109	-185

TC5:2 Defined benefit obligations

SEKm	2021	2020
Value January 1	2,087	1,913
Current service cost	96	211
Interest expense	19	31
Pension tax expense	18	9
Gains (-) and losses (+) on reductions and settlements	-	-30
Benefits paid	-59	-62
Pension taxes paid	1	-4
Remeasurement: financial assumptions	-51	127
Remeasurement: experience-based assumptions	-137	-43
Pension taxes pertaining to remeasurement	-87	-64
Translation differences	1	-1
Value December 31	1,888	2,087

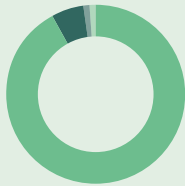
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include unexpectedly high or low employee turnover.

GROUP

TC5:3 Fair value of plan assets

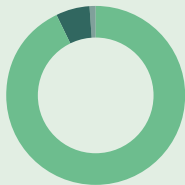
SEKm	2021	2020
Fair value January 1	-3,778	-3,296
Interest income	-33	-50
Contributions by the employer	2	-15
Benefits paid, excluding settlements	54	55
Return in excess of recognized interest income	-242	-473
Translation differences	0	1
Fair value December 31	-3,997	-3,778

The plan assets are distributed according to the following classes of assets 2021:



- Shares and mutual funds, 92% (SEK 3,703m)
- Interest-bearing securities, 6% (SEK 236m)
- Real estate fund 1% (SEK 31m)
- Other 1% (SEK 27m)

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



- Shares and mutual funds, 93% (SEK 3,525m)
- Interest-bearing securities, 6% (SEK 215m)
- Real estate fund 1% (SEK 30m)
- Other 0% (SEK 8m)

100% (100) 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, 2021.

TC5:4 Effect of asset ceiling

SEKm	2021	2020
Value January 1	892	886
Interest expense	8	14
Other changes to asset ceiling	72	-8
Value December 31	972	892

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
2021		
Discount rate	1.54	0.99
Expected salary increase rate	3.09	NA
Expected inflation	1.89	NA
Life expectancy, men ¹⁾	22	NA
Life expectancy, women ¹⁾	24	NA
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

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

TC5:6 Sensitivity analysis

SEKm	
Discount rate +0.25%	85
Price inflation, incl. salary inflation +0.25%	-96
Longevity +1 year	-84

The sensitivity analysis is calculated by changing one assumption while the others remain constant. An increased obligation is reported with a minus sign.

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 2022 were calculated at SEK 57m. Contributions for multi-employer plans for 2022 were calculated at SEK 4m.

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 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 when 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, a provision is made 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	
	2021	2020	2021	2020
Accumulated cost	24	24	749	583
Accumulated depreciation	-	-	-268	-251
Accumulated impairment	-24	-24	-89	-53
Total	-	-	392	279
Value January 1	-	3	279	171
Investments	-	-	166	143
Sales and disposals	-	-	-	-3
Company divestments ¹⁾	-	-3	-	-1
Reclassifications	-	-	-	7
Depreciation	-	-	-17	-18
Impairment	-	-	-36	-20
Value December 31	-	-	392	279
TD1:1 Emission allowances, net value	-	-	134	41
BS Value, December 31 including emission allowances	-	-	526	320

¹⁾ Company divestments in 2020 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, the operations to which the remaining goodwill was attributable was divested and accordingly, no impairment testing took place in 2021 or 2020.

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 were impaired by SEK -36m (-20).

TD1:1 Emission allowances

SEKm	2021	2020
Accumulated cost	134	41
Total	134	41
Value January 1	41	37
Emission allowances received	154	129
Sales	-33	-95
Settlement with the Swedish government	-28	-30
Value December 31	134	41



GROUP

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 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost	4,963	5,731	3,636	3,557	28,624	31,219	6,944	3,408	44,167	43,915
Accumulated depreciation	-2,136	-2,852	-2,067	-1,972	-16,634	-18,475	-	-	-20,837	-23,299
Accumulated impairment	-242	-259	-84	-84	-1,260	-1,625	-7	-7	-1,593	-1,975
Total	2,585	2,620	1,485	1,501	10,730	11,119	6,937	3,401	21,737	18,641
Value January 1	2,620	2,865	1,501	1,514	11,119	12,121	3,401	1,684	18,641	18,184
Investments	41	8	116	105	294	206	3,947	2,250	4,398	2,569
Sales and disposals	-1	-1	-4	-1	-72	-11	-	-	-77	-13
Company divestments	-	-17	-	-8	-	-48	-	-	-	-73
Reclassifications	50	9	8	24	423	503	-481	-543	-	-7
Depreciation	-126	-131	-136	-132	-1,091	-1,135	-	-	-1,353	-1,398
Impairment	-	-112	-	-1	57	-514	-	-	57	-627
Translation differences	1	-1	-	-	-	-3	70	10	71	6
BS Value December 31	2,585	2,620	1,485	1,501	10,730	11,119	6,937	3,401	21,737	18,641

¹⁾ Land and land improvements include forest roads valued at SEK 917m (910). Investments for the year in forest roads amounted to SEK 91m (91) and depreciation for the year to SEK 84m (82).

²⁾ During the period, interest was capitalized in construction in progress in an amount of SEK 57m (21). 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 5,348m (2,324) pertains to the investment project in Obbola.

⁴⁾ In 2021, machinery and equipment and construction in progress include government grants of SEK 4m (2) and SEK 0m (8), respectively.



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 total value of the forest assets is based on transactions in the areas where SCA owns forest assets. To support this valuation, SCA retrieves statistics of transactions, which are available from several market sources. 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 valuation hierarchy (a description of the different measurement levels can be found in Note E1). The statistics can be viewed as market-corroborated inputs in accordance with measurement level 2, but the valuation is recognized in its entirety as level 3. This is as the estimated forest volume contains assessments and suppliers make certain adjustments in the transaction data using unobservable inputs (see KAA). 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 the valuation of total forest assets, 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. 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 of forest assets calculated based on market data and the value of the biological assets based on discounted cash flows.

To confirm the land value, SCA has discounted cash flows 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. Market statistics are obtained from the providers Ludvig & Co and Svefa, which are two independent parties in relation to SCA. The providers process the data by adjusting market transactions that include other significant components in addition to forest land. SCA never adjusts the data. The regions where SCA owns forest are allocated in the data based on four different areas and the prices in these areas are used as a basis for the volume weighted price.

The calculated market price is based on forest transactions over the last three years, which is used so individual transactions will not have a major impact on the outcome. Since transactions often take longer than seven months there is no isolated market value given at December 31. To ensure that the volume of transactions offer an accurate picture of market development, given the aforementioned factors, SCA has chosen to use a three-year average.

The three-year average price in 2021 was SEK 324/m³fo (291) 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. As of December 31, 2021, timber volume is estimated to amount to approximately 256 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.

Market data¹⁾

SEKm	2021	2020	2019	2018
No. of transactions	176	219	251	209
Average price (volume weighted after SCA's forest stock)	368	312	292	275
Average size of estate (ha)	75	61	67	66

¹⁾ The value is an average of the two providers in Sweden and the areas where SCA owns forest assets.

Forest assets

SEKm	2021	2020
Forest assets in Sweden ¹⁾	82,746	73,387
Forest assets in the Baltic states ²⁾	1,751	1,513
Total value of biological assets and land assets	84,497	74,900
Deferred tax related to forest assets	16,905	14,977

¹⁾ The fair value of SCA's forest assets in Sweden in 2021 was based on a timber volume of approximately 256 million m³fo multiplied by the market price of SEK 324/m³fo.

²⁾ The fair value of SCA's forest assets in the Baltic states in 2021 was based on a timber volume of approximately 5 million m³fo multiplied by the market price of SEK 324/m³fo.



GROUP

Forest assets

SEKm	Biological assets		Land assets		Total forest assets	
	2021	2020	2021	2020	2021 ¹⁾	2020 ¹⁾
Value January 1	51,276	49,512	23,624	20,170	74,900	69,682
Acquisitions	340	397	110	145	450	542
Divestments	-60	-13	-25	-5	-85	-18
Other changes in fair value ²⁾	2,518	2,598	7,479	3,314	9,997	5,912
Change due to felling	-765	-1,218	0	0	-765	-1,218
BS Value December 31	53,309	51,276	31,188	23,624	84,497	74,900

¹⁾ Following the acquisition of forest assets in Sweden, the fair value has been distributed such that 33% (31) of the value has been allocated to land assets and 67% (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.

²⁾ Other changes are primarily recognized as the increase in value due to market prices and growth of the forest.

The change in the fair value of biological assets and change due to felling are recognized as a net value in the income statement on the line change in value in biological assets. The change amounts to **IS** SEK 1,753m (1,262). SCA also capitalizes replanting costs. Total change in value of biological assets amounts to SEK 2,033m (1,764).

The current year's 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 3.5% (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 457 (450) per solid cubic meter under bark (m³sub). Annual harvesting in 2021 was 4.8 million m³sub and is expected to rise over the future production cycle.

On average, 85% of harvesting is final harvesting and 15% thinning. Of this, 56% is expected on average over the years to comprise 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 45,000 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 3.9 million m³fo per year in Sweden. Harvesting in 2021 amounted to approximately 4.3 million m³sub (4.8).

Forest assets

	2021 ¹⁾	2020 ¹⁾
Carrying amount SEK/hectare forest assets	42,249	36,989
Carrying amount SEK/m ³ fo	324	291

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

TD3:1 Sensitivity analysis

SEKm		Change in value, before tax	
		2021	2020
Total forest assets			
Market price based on market statistics ¹⁾	Price change 5% on a total volume of 261 (257) million m ³ fo	4,225	3,745
Forest holding's timber volume ¹⁾	3 million m ³ fo (approx. 1%)	972	873
Biological assets as a share of forest assets²⁾			
Discount rate	0.1%	2,132	2,028
Wood price	Increase of 10%	10,154	9,675
Felling cost	Increase of 10%	-3,053	-2,752
Volume	Increase of 10%	5,196	5,003

¹⁾ The sensitivity figures are based on the market price, which for 2021 has been set to SEK 324 (291) /m³fo. Sensitivity figures are based on the total value of forest assets.

²⁾ Since valuation in the discounted cashflows model treats the distribution of the market value of the total asset, this sensitivity would not impact the total value of the forest assets but rather transfer the value between biological assets and land assets.

The following charts and tables illustrate some of the components used to determine the Group's fair value for biological assets.

Growth in SCA's forest in 2021

	Volume, million m ³ fo	%
Opening balance Sweden	252	
Available growth	9.1	3.6%
<i>of which gross forest growth</i>	<i>10.5</i>	<i>4.2%</i>
<i>of which natural losses and pre-commercial thinning</i>	<i>-1.4</i>	<i>-0.6%</i>
Harvesting ¹⁾	-5.2	-2.0%
Net forest growth	3.9	1.5%
Closing balance Sweden	256	
Holdings in Baltic states	5	
Closing balance	261	

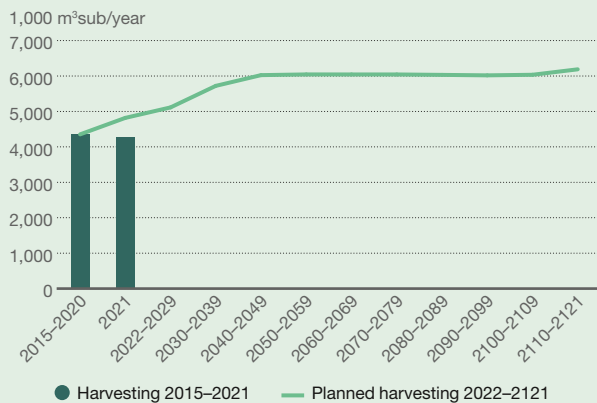
¹⁾ Equal to about -4.3 m³sub.



GROUP

Harvesting

Harvesting 2015–2021 and planned harvesting 2022–2121



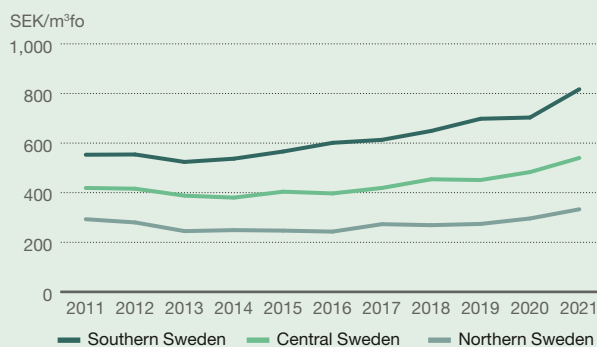
Nominal timber price



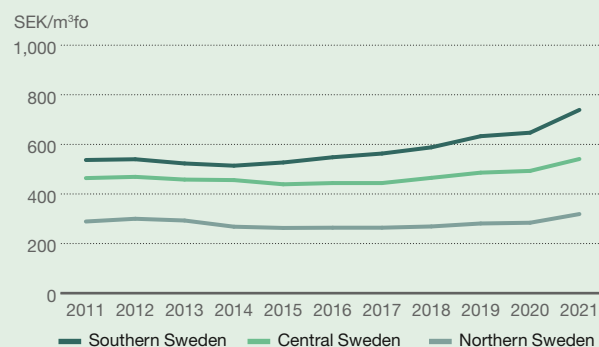
Market statistics of forest land prices are obtained from two parties that are independent in relation to SCA: Ludvig & Co and Svefa. The chart below shows forest land prices in Sweden, nominal value 2011–2021.

Forest land prices, Sweden, nominal value 2011–2021

Ludvig & Co



Svefa



Forest land prices in Northern Sweden

	2017	2018	2019	2020	2021
Price, SEK/m³fo	273	269	274	296	333

Source: Ludvig & Co, nominal values

Forest land prices in Northern Sweden

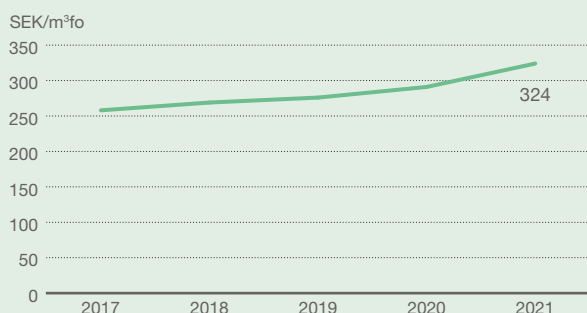
	2017	2018	2019	2020	2021
Price, SEK/m³fo	264	269	281	284	319

Source: Svefa, nominal values

SCA bases its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets, over the last three years. Data volume is then weighted based on SCA's forest holding before application to the total forest valuation. The three-year average price in 2021 was SEK 324/m³fo (291) and is used to determine the total average value per m³fo of SCA's forest assets in Sweden. The chart below shows historical market price (based on three-year average 2017–2021).

Market price

Historical market price (based on three-year average 2017–2021)



The chart below illustrates SCA's purchases and divestments of forest land in Sweden over the past five years.

SCA's purchases and divestments of forest land in Sweden

Purchase	2017	2018	2019	2020	2021
Volume, thousand m³fo	261	197	429	288	467
Price, SEK/m³fo	259	286	334	294	379

Divestment	2017	2018	2019	2020	2021
Volume, thousand m³fo	385	192	959	319	255
Price, SEK/m³fo	270	268	264	259	198



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 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.

In 2021, SCA has identified a number of contracts that should have been classified as operating leases. The identified contracts comprise leased agricultural land and contracts for right-of-use and development rights for land connected to wind power projects. Comparative figures in table TD4:2 have adjusted in accordance with this.

In 2021, SCA signed an agreement about leasing part of an industrial facility. The lease period in this agreement will expire in ten years, but the tenant is entitled to terminate the agreement at three-yearly intervals. In 2020, SCA signed an agreement concerning the subletting of a property, with a lease period that will expire in 19 years.

All contracts when SCA is lessor are classified as operating leases. 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.



GROUP

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 ³⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other		
Value January 1, 2021	289	249	117	49	25	729	751
Lease payments ¹⁾	-	-	-	-	-	-	-185
Depreciation	-50	-35	-36	-32	-10	-163	-
Interest expenses	-	-	-	-	-	-	25
Additional and remeasured contracts ²⁾	24	-	15	25	5	69	68
Terminated contracts	-10	-	-16	-3	0	-29	-31
Translation differences	8	-	0	0	-	8	8
BS Value December 31, 2021	261	214	80	39	20	614	636

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

²⁾ Additional contracts amount to SEK 42m and remeasurement of existing contracts to SEK 27m. The remeasurement of leases mainly concerns the extension of the lease period for a number of rental contracts and indexed rental payments.

³⁾ Of the total lease liability at year-end, SEK 500m is classified as non-current financial liabilities and SEK 136m as current financial liabilities. An analysis by maturities is provided in Note E4.

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.

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	2021	2020
Depreciation right-of-use assets	-163	-184
Interest expenses, lease liability	-25	-30
Lease payments related to low value leases	-3	-6
Lease payments related to short-term leases	-30	-57
Variable payments	-18	-15
Terminated contracts	2	-
Total	-237	-292

Cash flow

SCA recognizes a cash flow effect arising from a present value calculation of leases of SEK 185m (198). The cash flow effect attributable to low value leases, short-term leases and variable payments amounts to SEK 51m (78).

TD4:2 Operating leases where SCA is lessor

Rental income for the year amounts to SEK 75m (56). The leasing contract includes no variable payments.

Future minimum lease payments for operating leases mature according to the table below:

SEKm	2021	2020
Within 1 year	96	65
Between 1 and 5 years	291	186
Later than 5 years	168	96
Total	555	347



GROUP

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	2021	2020
Raw materials and consumables	1,784	1,477
Spare parts and supplies	449	631
Products in progress	52	84
Finished products	914	1,017
Felling rights	990	835
BS Total	4,189	4,044

Impairment of inventory amounted to SEK 13m (8) during the period.

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	2021	2020
VAT receivables	180	231
Accrued income	50	25
Prepaid expenses	182	216
Receivables from authorities	58	48
Derivatives	197	319
Receivables from associated companies	48	33
Other receivables	177	115
BS Total	892	987

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	2021	2020
Other non-current liabilities		
Derivatives	11	60
Other non-current liabilities	39	75
BS Total	50	135
Of which items that fall due for payment later than within five years	-	-
Other current liabilities		
Derivatives	349	185
TD7:1 Accrued expenses and prepaid income	1,146	799
Other operating liabilities	147	216
BS Total	1,642	1,200

TD7:1 Accrued expenses and prepaid income

SEKm	2021	2020
Accrued social security costs	109	105
Accrued vacation pay liability	92	110
Other liabilities to personnel	188	132
Bonus and discounts to customers ¹⁾	81	65
Freight and Intra-Group deliveries	102	109
Prepaid income	174	28
Other items	400	250
Total	1,146	799

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



GROUP

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 of publication paper	Other	Total
Value January 1	3	54	756	21	834
Provisions	-	28	0	1	29
Utilization	0	-36	-497	-8	-541
Reclassifications	-3	3	-	-10	-10
Dissolutions	-	-	-22	-	-22
Translation differences	-	0	2	0	2
Value December 31	-	49	239	4	292
Provisions comprise:					
BS Long-term component					53
BS Short-term component					239

During the year, remaining provisions for efficiency programs were reclassified to environment. The reclassification of SEK 3m pertains to land decontamination. Of the provisions for the period for environment, SEK 24m pertains to a liability for CO₂ emissions, which will be paid out in 2022. The remaining SEK 4m of provisions for the period concerning environment pertain to land decontamination. Provisions arising from the discontinuation of publication paper operations decreased by SEK 517m during the year. Utilized amounts mainly pertain to fees related to personnel costs, decommissioning costs and remuneration for canceled agreements and dissolutions relate primarily to contracts that were completed. Other provisions largely pertain to the restoration of gravel quarries. Other provisions utilized in 2021 relate, for the most part, to the dissolution of the provisions for the closure of the wood processing plant in France. Reclassifications pertain to payroll tax linked to capital insurance policies that have been reclassified as provision for pensions.

D9. TRADE PAYABLES

AP ACCOUNTING PRINCIPLES

SCA's trade payables amounted to **BS** SEK 3,478m (3,319) on December 31, 2021. SEK 1,745m (1,549) 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	2021	2020
Financial assets measured at fair value in the income statement				
Non-current financial assets	E2	2	60	67
Derivatives – Current financial assets	E2	2	0	0
Derivatives – Other current receivables	D6	2	171	101
Total			231	168
Financial liabilities measured at fair value in the income statement				
Derivatives – Current financial liabilities	E4	2	1	3
Derivatives – Other current liabilities	D7	2	220	89
Derivatives – Other non-current liabilities	D7	2	-	17
Total			221	109
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				
Prepaid financial expenses	E2	-	114	-
Trade receivables	E3	-	2,516	1,964
Cash and cash equivalents	E2	-	1,056	1,273
Total			3,686	3,237
Financial liabilities measured at amortized cost				
Non-current financial liabilities excluding leases	E4	-	8,584	7,866
Non-current financial liabilities leases	D4, E4	-	500	603
Current financial liabilities excluding leases	E4	-	918	1,185
Current financial liabilities leases	D4, E4	-	136	148
Trade payables	D9	-	3,478	3,319
Total			13,616	13,121
Derivatives used for hedge accounting				
Non-current financial assets	E2	2	6	-
Other non-current assets	-	2	0	3
Other current receivables	D6	2	26	218
Total			32	221
Non-current financial liabilities	E4	2	-	19
Other non-current liabilities	D7	2	11	43
Other current liabilities	D7	2	129	96
Total			140	158

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

		2021		2020	
SEKm	Note	Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets					
Financial assets, cash and cash equivalents	E2	1,250	6	1,354	-
Other non-current assets		0	-	3	3
Trade receivables	E3	2,516	-	1,964	-
Other current receivables	D6	197	197	319	319
Total		3,963	203	3,640	322
Liabilities					
Financial liabilities excluding leases	E4	9,503	1	9,073	20
Other non-current liabilities	D7	11	11	60	60
Lease liabilities	D4, E4	636	-	751	-
Trade payables	D9	3,478	-	3,319	-
Other current liabilities	D7	349	349	185	185
Total		13,977	361	13,388	265



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	
	2021	2020
Non-current financial assets		
TE2:1 Equity instruments	14	14
Derivatives	6	-
Capital investments, other	60	67
BS Total	80	81
Current financial assets		
Prepaid financial expenses	114	-
Derivatives	0	0
BS Total	114	0
Cash and cash equivalents		
Cash and bank balances	1,056	1,273
BS Total	1,056	1,273
Total financial assets, cash and cash equivalents	1,250	1,354

TE2:1 Equity instruments

SEKm	2021	2020
Value January 1	14	14
Revaluation taken to equity, net	-	-
Value December 31	14	14

Distribution of equity instruments

SEKm	2021	2020
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

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 customers segments or economic cycles, which is why a matrix is used to measure expected customer losses. The provision for expected customer losses 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 -7m (-3) at the end of 2021. SCA has signed credit insurance in order to reduce its credit risk. The trade receivables covered by the credit insurance comprise 34% (31) of total trade receivables on December 31, 2021. 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 29m (-22). Translation differences include hedges in currency derivatives.

SCA's trade receivables are generally current and are not discounted.

Trade receivables

SEKm	2021	2020
Trade receivables, gross	2,558	2,022
Provision to reserves for doubtful trade receivables	-42	-58
BS TE3:1 Total	2,516	1,964

TE3:1 Analysis of credit risk exposure in trade receivables

SEKm	2021	2020
Trade receivables neither overdue nor impaired	2,158	1,736
Trade receivables overdue but not impaired		
<30 days	274	210
30-90 days	68	6
> 90 days	16	12
Total trade receivables overdue but not impaired	358	228
Total	2,516	1,964

SCA's customer structure is dispersed, with customers in many different areas of business. In 2021, SCA's ten largest customers accounted for 32% (31) of the Group's sales. More information is available in the section on credit risks on page 65.



GROUP

Provision for expected customer losses

SEKm	2021	2020
Value January 1	-58	-79
Individual provision for expected credit losses	-3	-13
Confirmed credit losses	17	21
Decrease due to reversal of provisions for expected credit losses	1	13
Translation differences	1	0
Value December 31	-42	-58

The expense for the period for expected credit losses amounted to SEK 2m (19).

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	2021	2020
Non-current financial liabilities		
Bond issues	4,000	2,500
Derivatives	-	19
Other non-current loans with maturities > 1 year < 5 years	1,480	2,000
Lease liabilities with maturities > 1 year < 5 years	291	205
Other non-current loans with maturities > 5 years	3,103	3,366
Lease liabilities with maturities > 5 years	209	398
BS Total	9,083	8,488
Current financial liabilities		
Bond issues	-	1,175
Amortization within one year	263	-
Derivatives	1	3
Loans with maturities of less than 1 year	646	-
Lease liabilities with maturities of less than 1 year	136	148
Accrued financial expenses	10	10
BS Total	1,056	1,336
Total financial liabilities	10,139	9,824
Fair value of financial liabilities ¹⁾	9,496	9,069

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, 2021, a nominal SEK 4,000m (3,700) was outstanding, of which green bonds accounted for SEK 1,500m. In addition to the bond loans, SCA has several long bilateral loans with strong and well-established banks at a nominal amount of SEK 5,492m (5,346). The average maturity of the loans was 4.4 years (4.4).

Green bonds

SCA's green bonds were issued under the new SCA Green Bond Framework, which complies with the Green Bond Principles. The framework was reviewed by the independent party Cicero Shades of Green and received the highest possible ranking (Dark Green). The framework regulates that borrowing under the framework is earmarked for green investments. The criteria for when an investment can be classified as green are specified by the framework. SCA will report back to bond holders about the green investments every year.

Issued	Maturity, year	Carrying amount, SEKm	Fair value, SEKm
Bond – floating rate	2025	1,000	1,010
Bond – fixed rate	2025	300	298
Bond – fixed rate	2027	1,200	1,186
Bond – floating rate	2028	1,100	1,106
Bond – fixed rate	2028	400	395
Total		4,000	3,995

	Carrying amount, SEKm	Fair value, SEKm
Bilateral loans		
Bilateral loans with maturities <1 year	646	647
Bilateral loans with maturities >1 year <5 years	1,480	1,483
Bilateral loans with maturities >5 years	3,366	3,371
Total	5,492	5,501

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 (0) was outstanding.

Program size	Issued SEKm
Commercial paper SEK 5,000m	-
Total	-



GROUP

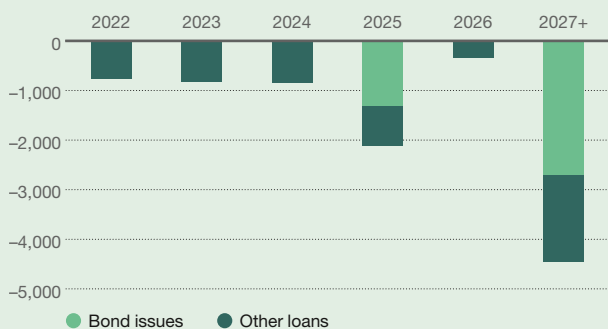
Credit facilities

Program size	Nominal SEKm	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm	Sustainability linked
Bilateral credit facility (in EUR)	2,305	2023	2,305	348	1,957	
Bilateral credit facility (in EUR)	3,070	2024	3,070	-	3,070	
Syndicated credit facility	5,000	2026	5,000	-	5,000	Yes
Total	10,375		10,375	348	10,027	

SCA has a syndicated bank facility of SEK 5,000m to limit the refinancing risk and maintain a liquidity reserve. Additionally, SCA has a bilateral export credit facility based on the purchasing agreement for the paper machine in Obbola, of which SEK 1,957m is unutilized, and a bilateral credit facility from the European Investment Bank, of which SEK 3,070m is unutilized.

The syndicated facility was unutilized on December 31, 2021. SCA's credit facility with the bank group is linked to two of the Group's key sustainability targets related to climate benefit and nature conservation, read more about these targets on pages 135–137.

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 7,752m (7,671) at December 31, 2021, refer to Note A2. For a description of the methods used by SCA to manage its refinancing risk, refer to page 65.

Changes in liabilities from financial activities

SEKm	OB 2021	CF	Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2021
Current financial liabilities (excluding lease liabilities)	1,185		-1,158	763	-	128	918
Non-current financial liabilities (excluding lease liabilities)	7,866		1,481	-763	-	-	8,584
Lease liabilities	751		-185	-	26	44	636
Derivatives	22		-	-	-21	-	1
Total liabilities from financing activities	9,824		138	0	5	172	10,139

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



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 65.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2021			
Loans including interest	1,012	2,776	6,125
Lease liability including interest	160	376	289
Net settled derivatives	1	2	-
Energy derivatives	171	1	-
Trade payables	1,800	1,678	-
Total	3,144	4,833	6,414
Gross settled derivatives ¹⁾	7,988	348	-
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	-

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 Financial Instruments, changes in fair value of the hedging instrument are recognized directly in the income statement.

Outstanding derivatives

SEKm	Currency	Interest	Energy	Total
2021				
Nominal	8,469	1,900	70	10,439
Assets	11	6	187	204
Liability	188	-	172	360
2020				
Nominal	5,813	2,450	216	8,479
Assets	314	-	8	322
Liability	126	19	120	265

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2021¹⁾		
Gross amount	206	362
Offsettable amount	-2	-2
Net amount recognized in the balance sheet	204	360
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-186	-186
Net after offsetting in accordance with ISDA agreements	18	174

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

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, 2021. 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 177m (170) on operating profit for the period. The net market value for these amounted to SEK -97m (217) on the balance sheet date. Currency hedges increased the cost of non-current assets by SEK 66m (19). The net market value for these amounted to SEK -40m (-125) on the balance sheet date. Interest rate derivatives impacted net interest items in an amount of SEK -8m (-5). The net market value for interest rate risk hedges amounted to SEK -6m (-18).



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Energy derivatives had an impact of SEK 33m (–351) on operating profit for the period. Energy derivatives had an outstanding market value of SEK 15m (–14) 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, 2021 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 318m (176). Financial hedges with maturities of more than one year would increase/decrease equity by SEK 12m (3).

For forward cover 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 13m (18) and, conversely, a 5% weaker krona would increase equity by SEK 13m (18). 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 17m (50) and, conversely, a 5% weaker krona would increase equity by SEK 19m (51).

If energy prices increase/decrease by 20%, outstanding financial hedges relating to electricity, all other things being equal, would decrease/increase energy costs for the period by SEK 10m (12). In addition to the earnings impact, equity would increase/decrease by SEK 3m (5). 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
2021					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	25	–1	24	–5	19
Currency risk	1	–139	–138	28	–110
Interest rate risk	6	–	6	–1	5
Total	32	–140	–108	22	–86
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

¹⁾ Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives on page 115.

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 2022 and during the first quarter of 2023. With unchanged exchange rates, profit after tax will be affected in an amount of SEK –77m (173). 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 increase by SEK 32m (–100) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2022 and 2023. With unchanged prices, the Group's profit after tax will be affected negatively in an amount of SEK 19m (14) after tax.

E7. FINANCIAL INCOME AND EXPENSES

Financial income and expenses¹⁾

SEKm	2021	2020
Interest income and similar profit items		
Interest income, investments	9	13
Other financial income	34	23
IS Total financial income	43	36
Interest expenses and similar loss items		
Interest expenses, borrowing ²⁾	–46	–75
Interest expenses, derivatives	–34	–24
Interest expenses, leases	–25	–30
Other financial expenses	–45	–24
IS Total financial expenses	–150	–153
Total	–107	–117

¹⁾ Other financial income and expenses include an exchange difference of SEK 1m (–1).

²⁾ Capitalized interest has reduced interest expenses, borrowing by SEK 57m (21).

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 (44) higher. A sensitivity analysis has been performed on the risk to which SCA was exposed at December 31, 2021 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 65.



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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 83,055m (72,163) at December 31, 2021. 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, 2021	2,350	6,830	17,320	45,663	72,163	-	72,163
IS Profit for the period recognized in the income statement	-	-	-	6,101	6,101	-	6,101
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change of value land assets	-	-	7,479	-	7,479	-	7,479
Revaluation of defined benefit pension plans ²⁾	-	-	-	448	448	-	448
Income tax attributable to components in other comprehensive income	-	-	-1,539	-92	-1,631	-	-1,631
Total	-	-	5,940	356	6,296	-	6,296
<i>Items that have been or may be reclassified subsequently to the income statement</i>	-	-				-	
Cash flow hedges:	-	-				-	
Result from revaluation of derivatives recognized in equity	-	-	-8	-	-8	-	-8
Transferred to the income statement for the period	-	-	-202	-	-202	-	-202
Hedge cost	-	-	-21	-	-21	-	-21
Translation differences in foreign operations	-	-	32	-	32	-	32
Tax on items recognized directly in/transferred from equity ³⁾	-	-	48	-	48	-	48
Other comprehensive income for the period, net after tax	-	-	5,789	356	6,145	-	6,145
OCI Comprehensive income for the period	-	-	5,789	6,457	12,246	-	12,246
Cash flow hedge, transferred to cost of hedged investments	-	-	66	-	66	-	66
Tax on cash flow hedge, transferred to cost	-	-	-14	-	-14	-	-14
Acquisition of non-controlling interests	-	-	-	-	-	-	-
Revaluation effect upon acquisition of non-controlling interests	-	-	-	-1	-1	-	-1
Dividend, SEK per share ⁴⁾	-	-	-	-1,405	-1,405	-	-1,405
BS Value December 31, 2021	2,350	6,830	23,161	50,714	83,055	-	83,055

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 119.

²⁾ Including special payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see page 119.

⁴⁾ Dividend SEK 2.00 per share pertains to owners of the Parent for the 2020 fiscal year. For the 2021 fiscal year, the Board has decided to propose a dividend of SEK 3.25 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC13.



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SEK m	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 of value land assets	-	-	3,314	-	3,314	-	3,314
Result from equity instruments measured at fair value	-	-	-	-	-	-	-
Revaluation 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 may be reclassified subsequently to the income statement</i>							
<i>Cash flow hedges:</i>							
Result from revaluation of derivatives recognized in equity	-	-	-135	-	-135	-	-135
Transferred to the income statement for the period ³⁾	-	-	186	-	186	-	186
Hedge 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
Revaluation 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 119.

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 119.

⁵⁾ SCA did not pay any dividend in 2020.

For further information regarding equity, see Parent Company Note PC13.



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Equity, specification of reserves

SEKm	Revaluation reserve		Hedge reserve ¹⁾		Translation reserve	
	2021	2020	2021	2020	2021	2020
Value January 1	17,636	15,001	46	-21	-362	-287
Revaluation of land assets	7,479	3,314	-	-	-	-
Cash flow hedges:						
Result from revaluation of derivatives recognized in equity	-	-	-8	-135	-	-
Transferred to the income statement for the period	-	-	-202	186	-	-
Hedge cost	-	-	-21	14	-	-
Translation differences in foreign operations ²⁾	-	-	-	-	32	-75
Tax on items recognized directly in/transferred from equity	-1,539	-679	48	-13	-	-
Other comprehensive income for the period, net after tax	5,940	2,635	-183	52	32	-75
Cash flow hedge, transferred to cost of hedged investments	-	-	66	19	-	-
Tax on cash flow hedge, transferred to cost	-	-	-14	-4	-	-
Value December 31	23,576	17,636	-85	46	-330	-362

¹⁾ See also Note E6 for details of when profit or loss is expected to be recognized.

²⁾ 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	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Revaluation of defined benefit pension plans	448	-92	356	327	-67	260
Cash flow hedges	-210	48	-162	51	-13	38
Hedge cost	-21	-	-21	14	-	14
Translation differences in foreign operations	32	-	32	-75	-	-75
Revaluation of land assets	7,479	-1,539	5,940	3,314	-679	2,635
Other comprehensive income for the period	7,728	-1,583	6,145	3,631	-759	2,872

At December 31, 2021, the debt/equity ratio amounted to 9% (11). Change in liabilities and equity is described on page 58 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 65.



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. 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 manages forest and sells solid-wood products. Sales amounted to SEK 1,431m (864).

SEK 30m (10) 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, 2021. The table below shows wholly owned subsidiaries and subsidiaries with significant interests and controlling influence, with external sales in excess of SEK 100m in 2021.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2021	Share of equity at December 31, 2020
SCA Graphic Sundsvall AB ¹⁾	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 Scandinavia AB	556302-0667	Sundsvall, Sweden	100	100
SCA Products (UK) Ltd	1549728	East Malling, UK	100	100
Gällö Timber AB	556801-1786	Bräcke, Sweden	50	50

1) The company name has changed to SCA Massa AB in 2022.

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.



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Holdings in associated companies

SEKm	2021	2020
Value January 1	378	367
Divestments	-1	-
IS Net change in associated companies ¹⁾	71	20
Impairment of associated companies	-8	-
Translation differences	-12	-9
BS Value December 31	428	378

¹⁾ Net change for the period includes the Group's share of the profit after tax of associated companies.

Company name	Corp. Reg. No.	Domicile	Participation, %		Carrying amount, SEKm	
			2021	2020	2021	2020
Florencia S.A.S.	809 910 177	Rennes, France	38.5	38.5	408	358
Other					20	20
Total					428	378

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 or loss 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 revalued at fair value and the result of the revaluation 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 revaluation 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 2021, approximately 520 hectares of forest land was acquired in Latvia through one (1) transaction for a purchase consideration of about SEK 14m on a debt-free basis. The corresponding figure for 2020 is SEK 450m, when approximately 13,200 hectares of forest land was acquired in Latvia. The acquisitions for both years were recognized as asset acquisitions.

Divestments

No companies were divested in 2021. The subsidiary SCA Wood UK Ltd was divested in 2020.



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 2021, there are no non-current assets held for sale.

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	2021	2020
Guarantees for:		
associated companies	5	5
customers and others	28	28
Other contingent liabilities	15	19
Total	48	52

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 on the transaction date. 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

SCA had no pledged assets as of December 31, 2021.

Commitments

SCA has a decided investment in Obbola totaling SEK 7,500m over a five-year period. As of December 31, 2021, SEK 2,316m remained, of which SEK 1,270m was a contracted commitment. The commitment in its entirety refers to fixed assets.



GROUP

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 THE REPORTING PERIOD

In 2021, SCA announced that the company was planning, together with St1, to invest in the production and sale of liquid biofuels. After the end of the reporting period, the joint venture has been established and the investment is progressing as planned. SCA's part of the investment, excluding the need of working capital, is approximately SEK 600m. The new biorefinery is expected to begin operations in the second quarter of 2023.



PARENT COMPANY

Parent Company income statement **PIS**

SEKm	Note	2021	2020
Operating income			
Other operating income		291	273
Total income		291	273
Operating expenses			
Other operating expenses	PC1	-188	-235
Personnel costs	PC2	-122	-102
Depreciation		-91	-89
Total operating expenses		-401	-426
Operating loss		-110	-153
Financial items	PC11		
Interest income and similar profit items		207	164
Interest expenses and similar loss items		-117	-131
Total financial items		90	33
Profit after financial items		-20	-120
Appropriations	PC5	3,238	683
Profit before tax		3,218	563
Income tax	PC6	-664	-133
Profit for the period		2,554	430

Parent Company statement of comprehensive income **POCI**

SEKm	2021	2020
Profit for the period	2,554	430
Other comprehensive income	-	-
Total comprehensive income	2,554	430



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	Total equity
Value January 1, 2021	2,350	1,740	7,283	8,981	20,354
Dividend, SEK 2.00 per share	-	-	-	-1,404	-1,404
Profit for the period	-	-	-	2,554	2,554
Value December 31, 2021	2,350	1,740	7,283	10,131	21,504
Value January 1, 2020	2,350	1,740	7,283	8,551	19,924
Dividend ²⁾	-	-	-	-	-
Profit for the period	-	-	-	430	430
Value December 31, 2020	2,350	1,740	7,283	8,981	20,354

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	2021	2020
ASSETS			
Non-current assets			
Land and buildings	PC7	8,857	8,723
Tangible fixed assets		8,857	8,723
Participations in Group companies	PC8	9,604	9,604
Other long-term receivables		47	86
Financial fixed assets		9,651	9,690
Total non-current assets		18,508	18,413
Current assets			
Receivables from subsidiaries	PC9	14,679	12,726
Current tax assets	PC6	0	5
Other current receivables	PC10	339	476
Cash and bank balances	PC11	602	1,063
Total current assets		15,620	14,270
Total assets		34,128	32,683
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		7,577	8,551
Profit for the period		2,554	430
Total non-restricted equity		10,131	8,981
Total equity		21,504	20,354
Provisions			
Provisions for pensions	PC4	59	47
Provisions for taxes	PC6	1,586	1,564
Total provisions		1,645	1,611
Non-current liabilities			
Non-current interest-bearing liabilities	PC11	8,582	7,846
Other non-current liabilities		12	82
Total non-current liabilities		8,594	7,928
Current liabilities			
Current interest-bearing liabilities	PC11	764	1,200
Liabilities to subsidiaries	PC9	1,033	1,298
Trade payables		1	9
Current tax liabilities	PC6	171	0
Other current liabilities	PC12	416	283
Total current liabilities		2,385	2,790
Total equity, provisions and liabilities		34,128	32,683



Parent Company cash flow statement PCF

SEKm	Note	2021	2020
Operating activities			
Profit after financial items		-20	-120
TPC:1 Adjustment for non-cash items		50	23
		30	-97
Paid tax	PC6	-462	-84
Cash flow from operating activities before changes in working capital		-432	-181
Change in operating receivables		-1,816	-828
Change in operating liabilities		-210	985
Cash flow from operating activities		-2,458	-24
Investing activities			
Acquisition of fixed assets	PC7	-234	-184
Acquisition of financial assets		-	-9
Divestment of financial assets		39	-
Divestment of tangible fixed assets		58	83
Cash flow from investing activities		-137	-110
Financing activities			
Loans raised		1,500	3,866
Amortization of debt		-1,200	-3,500
Dividend		-1,404	-
Group contributions	PC5	3,238	683
Cash flow from financing activities		2,134	1,049
Cash flow for the period		-461	915
Cash and cash equivalents, January 1		1,063	148
Cash and cash equivalents, December 31		602	1,063

TPC:1 Adjustment for non-cash items

SEKm	2021	2020
Depreciation of fixed assets	91	89
Capital gain on divestment of fixed assets	-49	-70
Unrealized exchange rate effects/changes in value of receivables and financial assets	-22	-13
Change in provisions	34	17
Other items	-4	-
Total	50	23

Supplementary disclosures to cash flow

SEKm	2021	2020
Interest paid and received		
Interest paid	-97	-82
Interest received	207	164
Total	110	82



PC. PARENT COMPANY NOTES

PC1. OTHER OPERATING EXPENSES

Auditing expenses

SEKm	2021	2020
EY		
Audit assignments	-4	-4
Auditing activities other than the audit assignment	-	-1
Total	-4	-5

PC2. PERSONNEL AND BOARD COSTS

Personnel and Board costs

SEKm	2021	2020
Salaries and remuneration	-76	-64
<i>of which Executive Management</i>	-68	-56
<i>of which Board</i>	-8	-8
Pension costs ¹⁾	-15	-16
Other social security costs	-29	-21
Other personnel costs	-2	-1
Total	-122	-102

¹⁾ The Parent Company's pension costs pertain entirely to the President and CEO and other senior executives. Pension costs are SEK 2m 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

	2021	2020
Average number of employees	12	12
<i>of whom men</i>	9	9
<i>of whom women</i>	3	3

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 Employee Benefits 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	2021	2020
Provisions in accordance with the Pension Obligations Vesting Act	33	32
Provisions outside the Pension Obligations Vesting Act's regulations ¹⁾	26	15
PBS Total	59	47

¹⁾ As of 2021, a provision for pension tax linked to the direct pension liability is also recognized as a provision for pensions.

Of the total pension liability in 2021 of SEK 59m, SEK 26m (15) is a direct pension liability, including payroll tax, 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 1.54% (0.89).

The company's outstanding pension obligations as per the balance sheet on December 31, 2021 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 Reporting by Legal Entities and recognizes Group contributions paid and received, net, as appropriations.

Appropriations

SEKm	2021	2020
Group contributions received from subsidiaries	3,796	1,561
Group contributions paid to subsidiaries	-558	-878
PIS Total	3,238	683



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	2021	2020
TPC6:2 Deferred tax	26	13
Current tax	638	120
PIS Total	664	133

TPC6:1 Explanation of tax expense

Reconciliation	2021		2020	
	SEKm	%	SEKm	%
PIS Profit before tax	3,218		563	
PIS Tax expense/income	638	19.8	120	21.3
Expected tax	663	20.6	121	21.4
Difference	–25	–0.8	–1	–0.1
The difference is due to:				
Taxes related to prior periods	-	-	-	-
Other items	–25	–0.8	–1	–0.1
Total	–25	–0.8	–1	–0.1

Current tax liability (+), tax asset (–)

SEKm	2021	2020
Value January 1	–5	–41
Current tax expense	638	120
Paid tax	–462	–84
PBS Value, December 31	171	–5

TPC6:2 Deferred tax expense (+), tax income (–)

SEKm	2021	2020
Changes in temporary differences	26	13
Total	26	13

Provisions for taxes

SEKm	Value January 1, 2021	Deferred tax expense	Value December 31, 2021
Land and buildings	1,575	22	1,597
Provisions for pensions ¹⁾	–11	–1	–12
Loss carryforwards	0	0	0
Other	-	1	1
PBS Total	1,564	22	1,586

¹⁾ As of 2021, a provision for pension tax linked to the direct pension liability is recognized as a provision for pensions. A total of SEK 4m of the change in deferred tax expense is therefore attributable to this reclassification.

PC7. TANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

The Parent Company's tangible fixed assets are recognized in accordance with the Group's accounting principles. However, 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 ¹⁾		Machinery and equipment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated costs	178	173	4,741	4,499	3	5	4,922	4,677
Accumulated depreciation	–129	–123	–1,360	–1,275	–3	–5	–1,492	–1,403
Accumulated write-ups	-	-	5,427	5,449	-	-	5,427	5,449
Residual value according to plan	49	50	8,808	8,673	-	-	8,857	8,723
Value January 1	50	53	8,673	8,588	-	-	8,723	8,641
Investments	5	3	229	181	-	-	234	184
Disposals	-	-	–9	–13	-	-	–9	–13
Depreciation for the period	–6	–6	–85	–83	-	-	–91	–89
PBS Value December 31	49	50	8,808	8,673	-	-	8,857	8,723

¹⁾ Land and land improvements include the carrying amount of SEK 7,827m (7,702) 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	2021	2020
Accumulated costs	9,604	9,604
Carrying amount	9,604	9,604
Value January 1	9,604	9,604
Investments	-	-
PBS TPC8:1 Value December 31	9,604	9,604

TPC8:1 Parent Company's holdings of shares in subsidiaries, December 31, 2021

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	2021	2020
Current assets		
Interest-bearing receivables	10,504	10,957
Other receivables	4,175	1,769
PBS Total	14,679	12,726
Current liabilities		
Interest-bearing liabilities	244	70
Other liabilities	789	1,228
PBS Total	1,033	1,298

PC10. OTHER CURRENT RECEIVABLES

Other current receivables

SEKm	2021	2020
TPC10:1 Prepaid expenses and accrued income	118	130
Other receivables	221	346
PBS Total	339	476

TPC10:1 Prepaid expenses and accrued income

SEKm	2021	2020
Prepaid financial expenses	116	129
Other items	2	1
Total	118	130



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	2021	2020
Interest income and similar profit items		
Interest income, subsidiaries	207	164
Interest expenses and similar loss items		
Interest expenses, external	-72	-105
Interest expenses, subsidiaries	-	-1
Other financial expenses ¹⁾	-45	-25
PIS Total	90	33

¹⁾ The item includes exchange rate differences amounting net to SEK 0m (-1).

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2021	2020	2021	2020
Loans with maturities >1 year <5 years	3,708	4,437	3,720	4,448
Loans with maturities >5 years	4,874	3,409	4,866	3,424
PBS Total	8,582	7,846	8,586	7,872

Current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2021	2020	2021	2020
Loans with maturities <1 year	764	1,200	765	1,201
PBS Total	764	1,200	765	1,201

For further information about borrowing activities during the year, refer to Note E4.

Financial instruments by category

Financial assets measured at amortized cost

SEKm	2021	2020
Assets		
Financial fixed assets		
Interest-bearing receivables	30	22
Current assets		
Receivables from subsidiaries	10,504	10,957
Other current receivables	0	0
PBS Cash and cash equivalents	602	1,063
Total	11,136	12,042

Financial liabilities measured at amortized cost

SEKm	2021	2020
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	8,582	7,846
Current liabilities		
Interest-bearing liabilities	764	1,200
Liabilities to subsidiaries	244	70
Trade payables	1	8
Other current liabilities	10	10
Total	9,601	9,134

Financial assets measured at fair value in the income statement

SEKm	2021	2020
Derivatives – Other long-term receivables	18	64
Derivatives – Other current receivables	546	503
Total	564	567

Financial liabilities measured at fair value in the income statement

SEKm	2021	2020
Derivatives – Other non-current liabilities	12	82
Derivatives – Other current liabilities	547	506
Total	559	588

PC12. OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2021	2020
TPC12:1 Accrued expenses and prepaid income	62	47
Other operating liabilities	354	236
PBS Total	416	283

TPC12:1 Accrued expenses and prepaid income

SEKm	2021	2020
Accrued interest expenses	10	8
Accrued social security costs	12	8
Accrued vacation pay liability	2	2
Other liabilities to personnel	30	17
Other items	8	12
Total	62	47



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	-	-
2021	Number of shares December 31, 2021	702,342,489		

SCA's share capital, December 31, 2021

	No. of votes per share	No. of shares	Share capital, SEKm
Class A shares	10	64,586,994	216
Class B shares	1	637,755,495	2,134
Total		702,342,489	2,350

The quotient value of the Parent Company's shares amounts to SEK 3.35. At the request of shareholders, 678 Class A shares were converted to Class B shares in 2021.

PC14. CONTINGENT LIABILITIES

Contingent liabilities

SEKm	2021	2020
Guarantees for subsidiaries	754	724
Other contingent liabilities	329	333
Total	1,083	1,057

PC15. PROPOSED DISPOSITION OF EARNINGS

Annual accounts 2021

Disposition of earnings, Parent Company (SEK)

Non-restricted equity in the Parent Company:

Retained earnings	7,576,811,608
Profit for the period	2,554,135,255
Total	10,130,946,863

The Board of Directors and the President and CEO propose:

- to be distributed to shareholders, a dividend of SEK 3.25 per share	2,282,613,089
- to be carried forward	7,848,333,774
Total	10,130,946,863

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 March 31, 2022.



Sustainability facts

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VALUE CREATION

SCA's sustainability work is integrated into the Group's operations and business decisions. SCA's 2021 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 and its business model. SCA's efforts to ensure sustainable development 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. Read more on page 43.

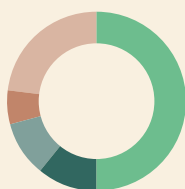
The set of values forms the foundation of SCA's corporate culture and indicates how the company interacts with its stakeholders, does business and conducts its operations. Profitable growth is the foundation of the company's strategy and part of sustainable development. Long-term economic returns are 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 direct or indirect contribution to all 17 of the UN's Sustainable Development Goals.

Through its operations, SCA helps to create value in and from the forest for a large number of stakeholders. These values include:

- Climate benefit from growing forests that capture and store CO₂ and products that replace fossil-based alternatives
- Renewable products and renewable energy that enable a circular society
- 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
- Viable 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 23,296m (2020: SEK 21,313m)

- 50% Payments to suppliers including other forest owners: SEK 11,584m (13,869)
- 11% Salaries, social security costs and pension provisions to SCA's employees: SEK 2,603m (3,003)
- 10% Dividend to shareholders, in accordance with Board's proposal: SEK 2,283m (1,405)
- 0% Interest paid to creditors: SEK 107m (117)
- 6% Income tax to society: SEK 1,426m (484)
- 23% Remaining in SCA: SEK 5,293m (2,435)

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 2,489m (96%) 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.

99% of the reported income tax amount pertains to Sweden. The tax comprises SEK 789m in current tax expense and SEK 637m in deferred tax. The amount "Remaining in SCA" comprises profit for the period excluding depreciation/amortization and deductions for the dividend for 2021 in accordance with the Board's proposal to be paid out in 2022. Further information about the cost structure is available in the Board of Directors' Report, Financial Notes B1–B4 and details about income taxes in Financial Note B5.



STRATEGIC PRIORITIES AND GROUP TARGETS

SCA's Group targets 2030 – Sustainability targets

In 2021, SCA continued to work in line with the six Group targets set out in 2020. The Group targets were set based on market trends, the UN's 17 Sustainable Development Goals, stakeholder expectations and the company's strategic priorities. The base year is 2019. The use of a limited number of long-term targets offers a clear direction for employees and external stakeholders.

Work in 2021 focused on the supporting targets, which describe how the Group targets will be achieved. During the year, SCA also initiated a review of the sustainability platform to ensure this remains relevant in the company's pursuit of sustainable development, based on an analysis of stakeholder opinions on SCA's sustainability work and key market trends.



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 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 forest 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 streams by finding new uses. Improve energy efficiency through efficiency enhancements of at least 35 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 toward vibrant local communities.

¹⁾ The target is based on the company's energy consumption in 2020 and has been adjusted due to changes in energy consumption after the discontinuation of publication paper operations at Örtviken.




Read more about SCA's sustainability platform in the Strategy and operations section on page 43.



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 43. SCA's materiality analysis is presented on page 140.

Strategic priorities	 Values	 Profitable growth	 Fossil-free world
Why material	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.	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 as the renewable forest resource grows and by increasing the value generated by each tree.	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.
Impact on value chain	Employees, suppliers, customers, society	Shareholders, customers, society, employees, suppliers	Growth in the forest, SCA's operations, suppliers, transports, customers
Governance	<ul style="list-style-type: none"> • Code of Conduct • SCA's Supplier Standard • SCA's Compliance Council 	<ul style="list-style-type: none"> • Financial control • Financial Policy • Business development plans • Budget follow-up 	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • Business development plans
Material risks¹⁾	<ul style="list-style-type: none"> • Business ethics • Reputational risk • Suppliers 	<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"> • Climate change • Political decisions • Financial risks
GRI disclosure number²⁾	206-1	201-1	305-5 Own disclosure: SCA's total climate effect
Sustainability area³⁾	Human rights Anti-corruption	N/A	Environment
Group target 2030 Overarching sustainability targets⁴⁾	All employees comply with SCA's Code of Conduct.	Leading total shareholder return (TSR)	Increased climate benefit from 10 to 15 million tonnes CO₂
Supporting sustainability targets Outcome 2021⁵⁾	<ul style="list-style-type: none"> • Target: All employees receive training in the Code of Conduct Outcome: 97% • Target: No violations of the Code Outcome: 5 confirmed breaches • Target: Purchasing from suppliers who share SCA's values, >98% of contract suppliers have approved SCA's Supplier Standard Outcome: 98% • Target: Audits of supplier operations using a risk-based selection Outcome: Sustainability risks for about 3,000 of SCA's suppliers were assessed in the EcoVadis IQ tool. The sustainability activities of 195 of SCA's suppliers were also studied in more detail in EcoVadis. Approximately 3,300 on-site audits at contractors were conducted, mainly in harvesting and silviculture. 	<ul style="list-style-type: none"> • Target: Total shareholder return, TSR Outcome: 14% • Target: Stable and increasing dividend Outcome: Dividend paid for 2020 was SEK 2.00. The dividend proposed for 2021 is SEK 3.25, of which SEK 2.25 is the regular dividend and SEK 1.00 an extra dividend. • Target: Financial stability – Investment Grade credit rating Outcome: Investment Grade credit rating 	<ul style="list-style-type: none"> • Target: Increase total climate benefit to 15 million tonnes CO₂ Outcome: 10.5 million tonnes CO₂ • Target: Net uptake of CO₂ in the forest Outcome: 5.4 million tonnes CO₂ • Target: Increase substitution benefits from SCA's products Outcome: 5.8 million tonnes CO₂ • Target: 50% reduction of fossil emissions in the value chain, Scope 1, 2 and 3, compared with 2019 Outcome: 0.72 million tonnes CO₂e. Reduction by 21% • Target: Implement 11 TWh of approved wind power capacity on SCA land by 2025 Outcome: 6.5 TWh

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 has been adjusted due to changes in energy consumption after the discontinuation of publication paper operations at Örtviken.

⁷⁾ In 2021, work focused on action plans from the All Employee Survey in 2020. A new All Employee Survey will be held in 2023.



STRATEGIC PRIORITIES AND GROUP TARGETS

 Valuable forests	 Efficient use of resources	 Responsibility for people and the community
<p>Forest is an important part of the earth's ecosystem. SCA conducts responsible forest management to preserve and develop biodiversity and the forest's recreational values while securing 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.</p>	<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.</p>	<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.</p>
<p>SCA forests, private forest owners, community, customers</p>	<p>Own operations, optimizing the value chain, customers</p>	<p>Employees (existing and potential), local communities</p>
<ul style="list-style-type: none"> • Forest management manual • Quality manuals for forest operations, road construction and transport activities • Certification systems (FSC, PEFC) 	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • ESAVE program • SCA's Innovation Network 	<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"> • Risks linked to the forest holding • Biodiversity • Climate change 	<ul style="list-style-type: none"> • Environmental impact • Risks at production plants 	<ul style="list-style-type: none"> • Employee-related risks • Risks at production plants
<p>304-3 Own disclosure: Responsible fiber sourcing</p>	<p>302-1</p>	<p>403-9 405-1</p>
<p>Environment</p>	<p>Environment</p>	<p>Social conditions and employees Labor</p>
<p>100% of wood raw material from responsibly managed forests</p>	<p>Zero waste – Nothing goes to waste</p>	<p>An accident-free and healthy SCA</p>
<ul style="list-style-type: none"> • Target: 100% CoC certified wood raw material – minimum requirement FSC Controlled Wood Standard Outcome: 100% • Target: 75% of wood raw material from certified forests or harvested with SCA retention methods Outcome: 72% • Target: SCA's own forestry management certified under FSC and PEFC Outcome: 100% of SCA-owned forest (forest operations) • Target: 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 Outcome: Measures to secure habitats for SCA's protected species will be defined as needed, see page 150 	<ul style="list-style-type: none"> • Target: High raw material yield in every process Outcome: Measured locally per production unit • Target: Improve energy efficiency through efficiency enhancements of at least 35 GWh per year based on the company's energy consumption in 2020⁶⁾. (ESAVE program 2020–2025) Outcome: Target achieved. In 2021, energy efficiency programs were carried out corresponding to 35 GWh. • Target: Minimize emissions to water and air. Decrease emissions of suspended solids and phosphorus by 10% between 2014 and 2020 Outcome: Emissions of suspended solids increased 23%, while phosphorous emissions rose 7% compared with the base year • Target: Minimize landfill waste and hazardous waste Outcome: 6,436 tonnes of waste to landfill or handled as hazardous waste 	<ul style="list-style-type: none"> • Target: No workplace accidents resulting in absence Outcome: LTA frequency rate 5.8 accidents resulting in absence, per million hours worked • Target: A mature health and safety culture. Move the health and safety culture to phase 4 on the DuPont Bradley CurveTM Outcome: The planned assessment was not possible due to the coronavirus pandemic. Safety work has developed positively with a probable slight move on the Bradley curve. • Target: Develop leaders who can address future needs Outcome: Green leadership index⁷⁾ • Target: Employees who grow and develop Outcome: Green engagement index⁷⁾ • Target: Contribute toward viable local communities Outcome: 61% of SCA's economic value creation were paid to suppliers and employees mainly in 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, 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 integral 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, also being sustainability targets, 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 contributes 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.

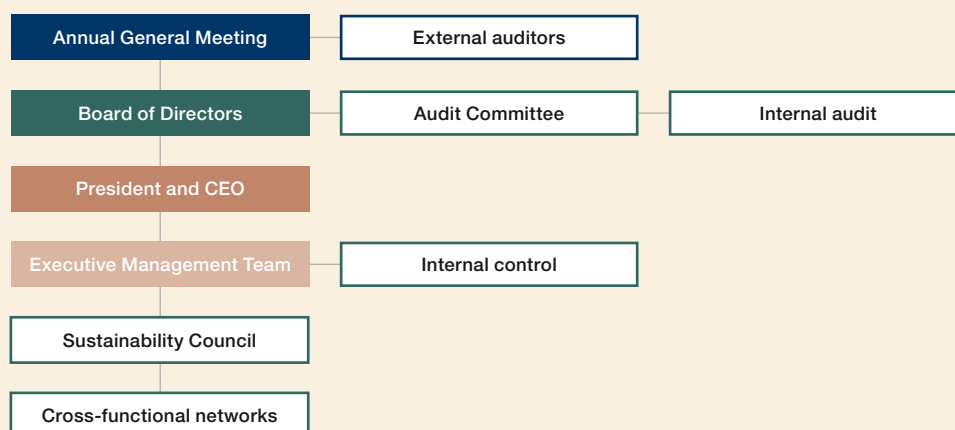
SCA supports the 2030 Agenda and the UN's 17 Sustainable Development Goals. The company works with goals as a whole and makes a direct or indirect contribution to all of these goals. The goals form an important basis for the company's materiality analysis.

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 NGOs, such as conservation 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.

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

Key stakeholder issues in 2021

1. EU: Legislative package "Fit for 55", the EU Taxonomy and the forest strategy
2. The forest's role in work to combat climate change
3. Preservation of biodiversity
4. Forestry methods

priorities. The materiality analysis forms the basis for SCA's strategic direction and priorities within the framework of the Group's sustainability work.

SCA conducts a materiality analysis every two years. The most recent was conducted in 2021 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 sustainability work based on the results of the analysis conducted.

In 2021, the analysis of SCA was performed with the assistance of external parties. It was conducted to obtain an overview of the priorities of the stakeholder groups, market developments and to be used as a basis to update the sustainability platform. The starting point for the work was an analysis of market conditions and a stakeholder analysis. The stakeholder analysis included investors, capital market participants, rating institutes, customers, suppliers, NGOs, politicians and others. The company's contributions and challenges linked to the UN's 17 Sustainable Development Goals were included as part of the analysis.

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 2021.





GOVERNANCE AND MATERIALITY

Stakeholder dialogues

Interaction with the company's stakeholders was modified in 2021 in response to the coronavirus pandemic. Few physical meetings and excursions took place in 2021 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 • Close dialogue with customers to develop the company's value chain • Dialogue about climate footprint, responsible forest management, 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
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 • Internal digital channels (intranet, electronic displays, Instagram and webinars). • Consultation activities and separate meetings concerning restructuring in Sundsvall • The discussion tool "How do we act?" and training in SCA's Code of Conduct, anti-corruption and business ethics • Participation in virtual 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, sustainability, areas of growth, dividend and financial targets, forest valuation, risk management, corporate governance	<ul style="list-style-type: none"> • AGM April 15, 2021 • 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
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, forest management 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 2021 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 continued 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 birds, such as Ural owls • Dialogue with reference groups in conservation parks
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 • Participation in "Skogen i skolan" • Supervisory and annual reporting to government authorities, for example environmental reports

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](https://www.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 97% at the end of 2021. 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.

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





VALUES

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 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.

Compliance with SCA's Code of Conduct, laws and regulations**Reported cases and remarks in 2021 (outcome in 2020 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 2021, 7 (17) cases of potential breaches of the Code of Conduct were reported and investigated. They included cases of discrimination and sexual harassment as well as inappropriate behavior. Of these, 5 (7) were confirmed as breaches of the Code. One matter was ongoing at the end of the year, relating to a previous 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 2021, 0 incidents resulted in the public prosecutor initiating legal proceedings or issuing a punishment order. From previous years, 0 (0) 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

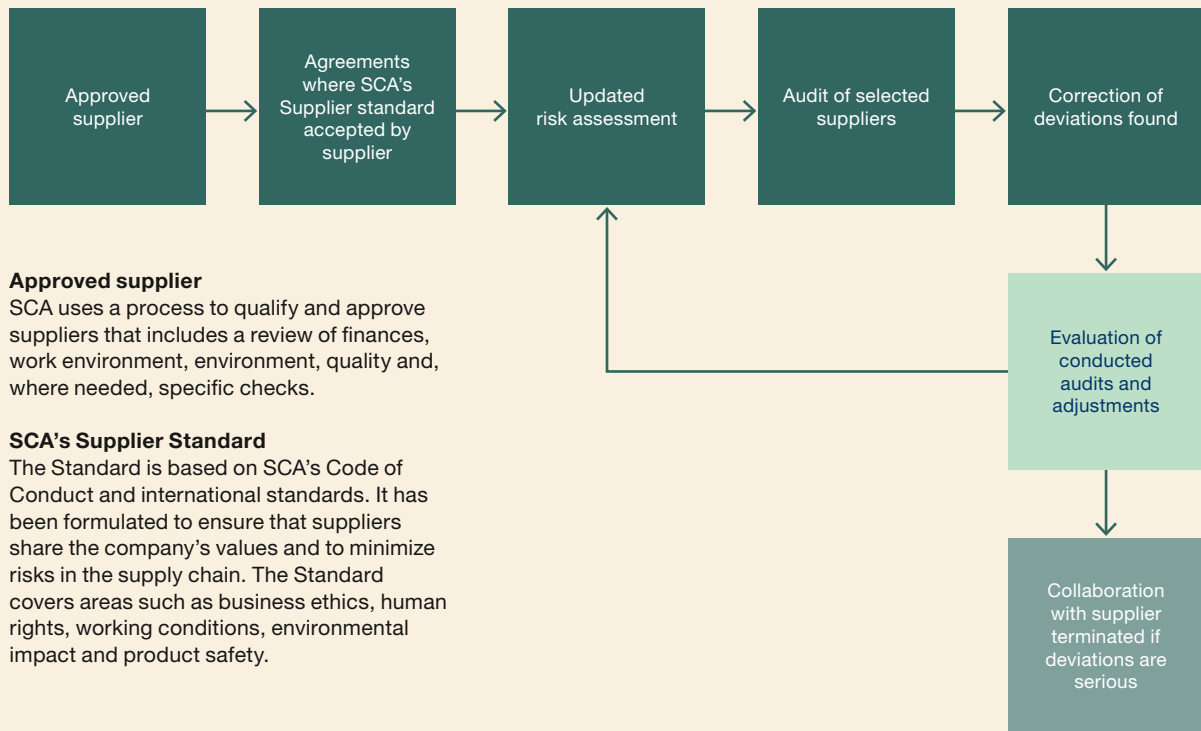
It is important to engage in active dialogue with communities that can be affected by SCA's operations. This is part of the Group's stakeholder dialogues and encompasses the entire Group's operations, refer to the Stakeholder dialogues section. Dialogue may, for example, be conducted as public meetings or be based on opinions received. All environmental remarks are investigated in accordance to SCA's procedures and measures are taken where possible. In 2021, 119 (160) 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 2021, 34 (23) environmental matters were dealt with in dialogue with the authorities. 4 (3) of these matters resulted in penalties during the year. These concerned excess emissions to air in Munksund and deficiencies in harvesting notifications in SCA Forest's operations.

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.



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. In 2021, 98% (94) of contract suppliers approved the Supplier Standard.

SCA uses an external system to evaluate sustainability work by suppliers. Audits are also performed on-site based on the risk assessment. No on-site audits were performed in 2021 due to the coronavirus pandemic. However, sustainability risks for about 3,000 of SCA's suppliers were assessed in the EcoVadis IQ tool. The sustainability activities of 195 of these were also studied in more detail in EcoVadis. 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 3,300 were conducted in 2021.

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 work, about 100 for timber transportation to SCA's industries and about 80 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



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 16–19. 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.

In 2021, the total shareholder return for SCA's Class B share was 14%, which compares with total shareholder return for OMX Stockholm 30 of 33%. Since the distribution of Essity in 2017, the total return for SCA's Class B share has been 170%, which compares with total return for OMX Stockholm 30 of 67% (see page 52). The Board of Directors proposes a dividend of SEK 3.25 per share for the 2021 fiscal year, of which SEK 2.25 is the regular dividend and SEK 1.00 an extra dividend. The dividend in 2020 amounted to SEK 2.00.

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. During the year, the credit rating

agency Standard and Poor's (S&P) raised SCA's credit rating to "BBB" with a stable outlook.

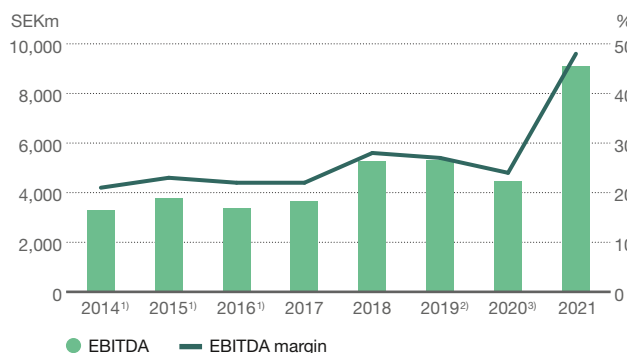
Profitable and sustainable growth over time

SCA is a forest products company with modern and well-invested industries close to the large forest holding of 2.6 million hectares of forest land. As a resource, the forest yields stable profitability and value growth. Since 1956, the forest assets have provided an annual total return of about 10%.

The strong project portfolio comprising forest and industrial investments guarantees profitable growth over time. During the year, SCA discontinued all remaining publication paper operations. Following the discontinuation, SCA manufactures exclusively products for which there is long-term growing demand and that meet rigorous sustainability and quality demands. During the year, SCA continued its strategic investments to increase pulp and packaging paper production. Together with St1, a joint venture is formed to produce renewable biofuels.

Forest has an increasingly important role to play in the transition to a more sustainable society. SCA's renewable products, including biofuels, packaging paper and solid-wood products can replace fossil fuels, plastics and concrete. The growing forest and higher production of renewable products increases SCA's climate benefit and reduces the adverse effects of climate change. In 2021, total climate benefits from SCA's forest and manufacturing industries amounted to 10.5 million tonnes of CO₂.

EBITDA and EBITDA margin

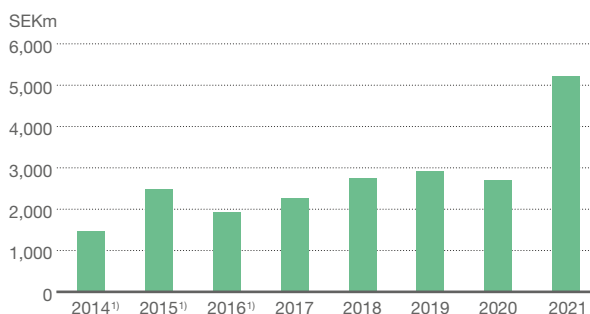


¹⁾ Restated financial information.

²⁾ Excluding the impact of the changed accounting method for the valuation of forest assets.

³⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

Operating cash flow



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 the transition from fossil fuels by providing access to renewable energy in various forms. SCA's target is to increase its 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.

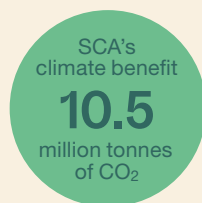
SCA has chosen to group the products as wood products, pulp and paper, and renewable energy. Substitution factors for each product group are presented on sca.com. The company calculates the potential for all supplied products. Calculations for pulp and paper products are conservatively estimated and 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 2021, the total climate benefit increased from 9.6 to 10.5 million tonnes CO₂. The increase is primarily due to a lower share of harvesting in SCA's own forest and therefore higher net forest growth. Substitution benefits declined slightly as a higher sales volume of pulp and increased deliveries of renewable energy were offset by lower volumes of publication paper. Fossil emissions in the value chain, Scope 1–3, fell by about 142,000 tonnes of CO₂-equivalents or by 16% compared with 2020. The decrease is mainly due to lower emissions from transportation, industrial processes and from purchased input goods. The discontinuation of publication paper operations was responsible for a large portion of the decline.

Net growth in SCA's forests bound 5.4 (4.4) million tonnes of CO₂ in 2021, see 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.

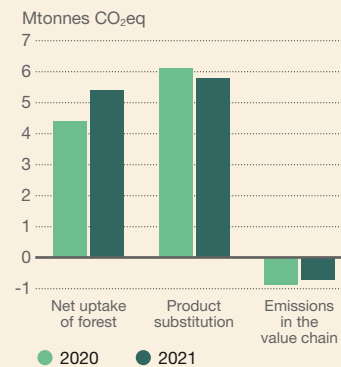
SCA's climate benefit

More than fossil emissions from all of Sweden's passenger cars



Climate benefit in million tonnes of CO ₂ e	2021	2020
Net uptake in own forest	5.4	4.4
Products, substitution effect	5.8	6.1
Value chain (Scope 1, 2 and 3)	-0.7	-0.9
Total climate benefit	10.5	9.6

The table shows SCA's climate benefit in accordance with the model described by Holmgren and Kolar, 2019, see sca.com



The change between the years is explained in the above text.



FOSSIL-FREE WORLD

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 2021, the substitution effect amounted to about 5.8 (6.1) 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.

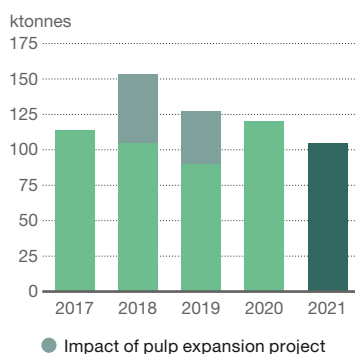
SCA's objective is to make the entire value chain fossil-free. One interim target is to reduce fossil emissions in the value chain by 50% between 2019 and 2030, which is in line with the Paris agreement's 1.5°C target. Through systematic work with efficiency enhancements and a transition to biofuels, emissions from SCA's industries have halved since 2010 and industrial processes are currently 96% (95) fossil-free. The emission of greenhouse gases across the value chain fell during the year by 17% (5) and amounted to 0.72 (0.86) million tonnes of CO₂.

Some 39% (35) of fossil emissions in the value chain are from own operations and from purchased energy while about 61%

(65) are from sources outside the company's facilities. The single largest source is transportation which accounts for 42% (46) 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. Electrification has begun of terminal work and road transport by truck. The investment to increase kraftliner capacity at Obbola will remove another source of fossil oil of approximately 8,000 m³.

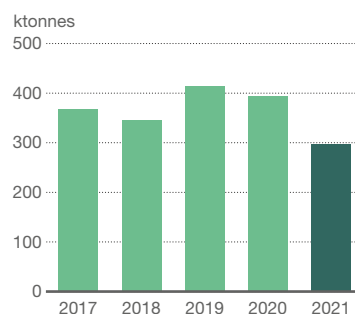
SCA provides access to renewable energy by delivering surplus heat from the company's plants as district heating to local municipalities, selling pellets and unprocessed biofuels, renewable electricity, tall oil to process into biofuels and by leasing out land for wind power production. In 2021, 2.5 (1.7) TWh of biofuel was sold and district heat deliveries amounted to 0.5 TWh (0.3), corresponding together to the heating requirements of approximately 200,000 homes. At the end of 2021, installed wind power capacity amounted to 6.5 TWh (5.4) per year. Through its energy efficiency, the expanded pulp mill in Östrand contributes to a surplus of green electricity of 0.4 TWh (0.4), corresponding to a midsize power station.

Carbon emissions from industry, fossil CO₂



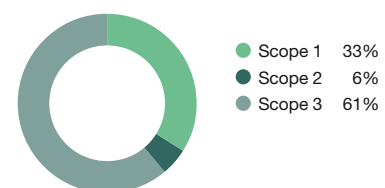
SCA is working actively to reduce fossil-fuel emissions and emissions have halved since 2010. In 2021, emissions decreased due to a reduction in oil use at the Östrand pulp mill and as a result of the discontinuation of publication paper operations.

Carbon emissions from transportation, fossil CO₂



In 2021, emissions from transportation decreased by 25%, due primarily to a lower share of transportation to other continents and lower volumes as a result of the discontinuation of publication paper operations.

Greenhouse gas emissions in the value chain



In 2021, fossil emissions from the value chain – from forest operations to the customers' gate – amounted to about 0.72 million tonnes of CO₂e, a decrease of 21% compared with the base year of 2019. The total climate benefit from SCA's operations of was 10.5 million tonnes of CO₂, see above. Scope 1 includes emissions from SCA's own vessels.

Emissions in million tonnes of CO₂e:

Scope	2021	2020
1. Direct emissions	0.24	0.25
2. Purchased electricity and energy	0.04	0.05
3. Purchased goods and services	0.44	0.56
Total for scopes 1–3	0.72	0.86



VALUABLE FORESTS

Valuable forests



Responsible forest management

The forest is at the core of SCA's operations. SCA's goal is that the forests are to be at least as rich in biodiversity, nature experiences and raw material in the future as they are today. SCA conducts responsible, long-term and profitable forest operations that generate a valuable raw material and contribute toward many other values. This responsible and active forest management has resulted in SCA having well-managed forests, which contribute to biodiversity as well as conservation and recreational values, while in parallel the standing volume is growing in the forest and an increasing volume of renewable raw material can be harvested.

Nature conservation is a natural part of the way SCA manages the forests – also in forests that do not possess particular conservation values. This means that nature conservation is always part of the forest operations, such as road construction, site preparation, pre-commercial thinning, thinning, fertilization and regeneration harvesting.

Forest processes are long. It takes almost a century for a tree to become mature enough for harvesting and many processes in nature take even longer. SCA's forest management planning therefore extends across 100 years. Each harvested tree is replaced by at least two new trees. During 2021, SCA's nurseries delivered 112 million seedlings, of which some 49 million were planted in SCA's own forests. SCA offers a range of forestry services to private forest owners, one of which is "New forest with regeneration guarantee" where SCA take full responsibility for site preparation and planting and conduct a regeneration control, at the latest, two years after the planting.

Read more about how SCA conducts responsible forestry at [sca.com](https://www.sca.com).

Certified forest management

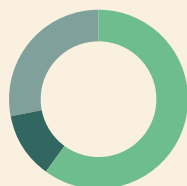
SCA's forests have long been certified in accordance with international forest management standards, Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), which aim to ensure responsible forest management. SCA contributes together with other social, environmental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

Responsible raw material sourcing

All wood raw material used in SCA's products must originate from responsibly managed forests. This applies in SCA's own forest and to the wood purchased from other forest owners. Through the sourcing of wood, SCA works systematically to ensure good working conditions and appropriate nature conservation measures, also outside the company's own forests.

All wood raw material bought by SCA is covered by CoC certification and must at least fulfill the requirements of the FSC Controlled Wood Standard, FSC CW. This means the wood must not come from controversial sources, which includes wood from illegal logging, from forests with high conservation values where these values are threatened by forest operations or from forests where the rights of indigenous people or human rights are being violated. SCA's timber 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 private forest owners with whom SCA do business to certify their forest operations. SCA encourages land owners to consider on-site retention in harvesting operations, that corresponds to the FSC standard, which is equivalent to the on-site retention applied in SCA's own forests. In 2021, 60% (63) of wood raw material consumed was from FSC or PEFC certified forest operations and 12% (18) was harvested by SCA on the land of private forest owners, with SCA retention. The remaining

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 10.7 million (11.3) cubic meters of wood raw material in 2021. Almost all wood raw material is sourced from Northern Sweden.

Country of origin, percentage of consumed	2021	2020
Sweden	95%	96%
Baltic states	4.5%	1%
Finland, Norway, Denmark	0.4%	2%
Poland, Scotland, Spain	0%	1%



VALUABLE FORESTS

volume fulfills FSC CW. The decrease in certified volume is mainly a result of a smaller share from SCA's own forest.

Collaboration with reindeer husbandry

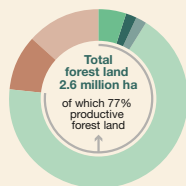
Some 50 Sami communities have customary right to herd reindeer on SCA's land. The new FSC standard applied from October 2020 includes a special collaborative process that offers reindeer herders greater scope to influence planned forestry measures. Both forest owners and reindeer herders must clearly present long-term needs and plans, and then forestry and reindeer herding must be jointly planned over longer periods of time and over larger areas. This is to 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. SCA puts great care and a large amount of resources into joint planning and collaboration with reindeer husbandry, covering 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 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 2021, 80 (120) consultation meetings took place with 28 (34) Sami communities, with discussions concerning approximately 4,800 (4,500) forest holdings. The coronavirus pandemic severely restricted opportunities for consultation. The cancellation of consultation meetings meant decisions on forestry measures were postponed.



Distribution of areas with nature conservation measures¹⁾



The level of on-site retention indicates the balance between production and nature conservation, or in certain cases social values. For example, >50% retention leaves >50% of the stand is untouched after harvest.

¹⁾ Percentage of area set aside, managed with varying levels of retention or comprises non-forest land, of the total landholding.

Type of consideration	Share of total area	Share productive forest area, of total area
● Voluntary set-asides (100% retention)	5%	7%
● Combined targets (>50% retention)	2%	3%
● Adapted retention (15–30% retention)	2%	3%
● Basic retention (~15% retention)	67%	87%
● Non-productive land (100% retention, protected)	10%	0%
● Non-forest land (not cultivated)	13%	0%
Total area	2.6 million hectares	2 million hectares



VALUABLE FORESTS

Biodiversity

The development and preservation of biodiversity in SCA's forests is the most important environmental target in the management of the forests. Areas that provide vital habitats for sensitive flora and fauna are excluded from forest management through voluntary set-asides, or harvested using adapted forms of forest management or retained as patches and buffer zones in harvesting operations. Forest set aside from harvesting is included in our ecological landscape plans, which SCA has developed for its entire holding. For many years, work with the ecological landscape plans have included dialogue with the county administrative boards and the Swedish Environmental Protection Agency about forest that is best suited for formal protection.

SCA also has five conservation parks. The parks are larger forest areas that SCA manages to benefit sensitive flora and fauna. SCA use a diverse range of measures and management methods to strengthen the existing conservation values or create new ones. The parks also highlight cultural heritage and recreational values.

In 2020, SCA launched an initiative to develop and increase the precision of work to preserve and expand biodiversity conservation measures. Work is based on the Swedish Red List 2020, where the Swedish Species Information Centre lists species and their status. Of Sweden's approximately 50,000 known species, 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 forest species are included on the Red List, of which 685 may be adversely impacted by forest operations. Of these species, 203 were registered in SCA's landholding in 2020 and are therefore designated as "SCA's species commitment". Almost all species groups are represented but the protected species are predominately fungi, mosses and lichen as well as insects and certain birds.

Based on its ecology, SCA identified a number of habitats on which the selected species are dependent. A subsequent analysis of data from SCA's forest holding found that about 400,000 hectares include one of the identified habitats.

In addition to this area of habitats that support protected species (>1 ha), smaller habitat areas are identified and left untouched in connection with the harvesting plans drawn up during each non-winter season. In 2021, habitat land was left untouched corresponding to about 11% (10) of the planned area of harvesting. Most of these habitats are in forest close to water bodies or moist and wet land.

As part of the species commitment, SCA is also focusing on species that require active measures in order to survive in the long term. Measures have been identified for some 30 protected species that are included in the action program (ÅGP)¹. The measures largely consist of conservation measures, such as prescribed burning, creating dead wood or the restoration of water bodies. Measures may also include restoration to expand the habitats on which the species is dependent, such as by creating deciduous forests. These initiatives will increase in landscapes where these protected species can currently be found. Far more than the 30 highlighted protected species will benefit from the implemented measures.

To increase knowledge of what can be done to safeguard the protected species, SCA continues to carry out analyses with help from the Swedish Species Information Centre. For example, the threat category for the protected species has been compared with the category these species had in the Red List from 2010. The threat category for most of the species (155) is unchanged while the others have either been added to the Red List or have a better or worse status². Better understanding of the development of SCA's protected species will enable us to improve the precision of conservation efforts in the future. For more information about SCA's work with biodiversity, see sca.com.

¹ The ÅGP action program for threatened species and habitat types has been drawn up by the Swedish Environmental Protection Agency or the Swedish Agency for Marine and Water Management.

² 154 species had an unchanged status, 11 species had an improved status, 29 species had a deteriorated status, 8 new species had been added

Nature conservation area, status Dec 31, 2021

Nature conservation area in the form of	Number of hectares	% of productive forest land
Voluntary set-asides for promoting biodiversity ¹	167,601	8.3 (8.3)
Variable on-site retention in harvesting operations ²	-	16.2 (14.2)
Total (over the rotation period of the forest)		24.5 (22.5)
In addition:		
Alternative forms of forest management	59,630	3.0 (2.9)

¹ Shows the percentage of SCA's productive forest land that was included in ecological landscape plans at the end of 2021 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 patches > 0.1 hectares of productive forest land in areas planned for regeneration harvesting.

Seen over a rotation period and the entire productive forest area, this means 24.5% of the forest is retained for nature conservation purposes.

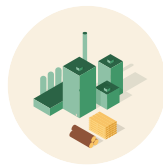
Alternative forms of harvesting are primarily various continuous cover forestry methods, such as single-tree selection, selective cutting and shelterwood.

Measures to promote biodiversity

Measures taken in 2021	Number of hectares	% of regeneration harvesting area 2021
Biodiversity conservation measures in voluntary set-asides	441	1.8 (2.5)
Alternative (continuous cover methods) forms of harvesting outside voluntary set-asides	799	3.2 (2.3)
Prescribed burning for biodiversity conservation	277	1.1 (0.5)

The table shows forest management measures conducted in 2021 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 regeneration harvesting 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 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

SCA 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.

Examples from 2021 include SCA Wood's development of specialty products with specific properties and products adapted to the wood industry with improved yields, based on CT scanner technology. Other examples include the development of 3m lengths in construction-related products in Europe, kraftliner for greater sustainability performance, premium pulp for filter applications and the creation of a virtual copy of the forest, to facilitate planning and automation of forest operations.

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 SCA'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 SCA'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% (51) 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, which contributes 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 almost 100% of the supply of water is 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, 67%, is used as cooling water and has no contact with the process. 33% of water is used in the production processes, mainly to transport fiber. The water is reused several times before it is mechanically treated and undergoes biological treatment. Effluent water from pulp and paper mills is, after treatment, discharged into the Gulf of Bothnia.



EFFICIENT USE OF RESOURCES

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 96% (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 2021, SCA had seven units subject to the EU Emissions Trading System (EU ETS).

SCA almost only buys and sells thermal energy as heat. In 2021, 1,714 TJ (1,183) was sold externally and 473 TJ (450) was purchased. 595 TJ (78) 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.

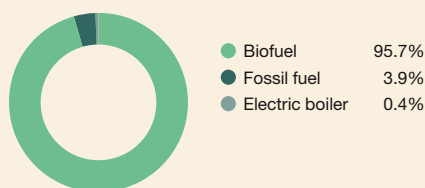
A large portion of air emissions are generated by transportation. SCA works to reduce emissions by increasing the fill ratio, training in ecodriving, applying various techniques to reduce fuel consumption, and prioritizing transport means with less environmental impact. In 2021, a partnering project was launched for the electrification of both road transportation and terminal work.

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.

Emissions to air and water

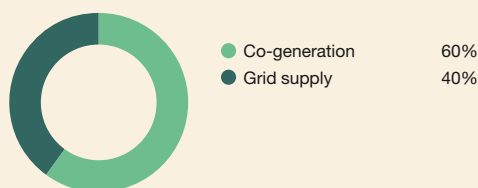
The company's total emissions are influenced by the level of production, product portfolio and uniform production. SCA's

Distribution of fuel supply



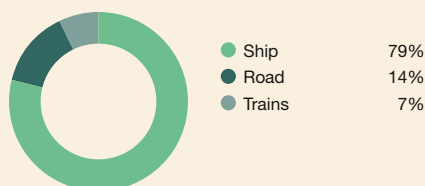
In 2021, SCA's fuel consumption, including purchased electricity for steam production, was 96% (95) fossil-free. An increase compared with last year. Electricity purchased from the Swedish national grid is considered 97% fossil-free (according to IEA). Refers to Swedish production facilities.

Distribution of electricity supply



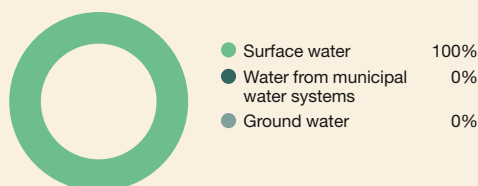
SCA's plants in Sweden generate electricity using co-generation. The remainder is purchased from the national grid. The expanded Östrand pulp mill generated a surplus of electricity that is sold externally. There was a decrease in electricity purchased in 2021 due to the closure of paper production at Ortviken.

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

production facilities possess environmental permits, which regulate emissions. Air emissions comprise all combustion units at SCA's production facilities, 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 67% of water usage, has only been heated and has not been in contact with the process flow. Process water, 33%, 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

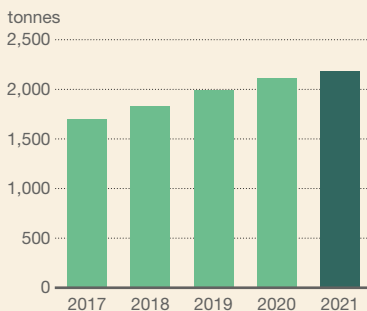
Minimizing waste is part of the Group target Zero waste 2030. SCA takes a life cycle approach and works proactively with

resource efficiency. By-products and waste streams are utilized as far as possible and solid waste is mainly recycled through use as raw material in other processes, as construction materials or for energy recovery and is primarily bio ash, sludge, organic waste and plastic. Only a small quantity of material used, approximately 0.2% of the produced product, is sent to landfill or is hazardous waste. Hazardous waste is primarily waste oil. Materials that are currently sent to landfill include "lime gravel".

SCA participates in or supports several projects to develop more value-creating uses for the company's waste streams. Examples from 2021 include an innovative use of lime sludge waste streams from SCA Östrand, which meant 5,700 tonnes of lime sludge was converted into filler and used in liner production at SCA Munksund.

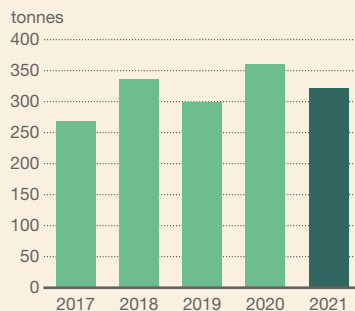
An external company has initiated a permit procedure to manufacture bioplastics from lignin waste streams at the Örtviken site. This will replace plastics of fossil origin.

Emissions to air from industry, NO_x



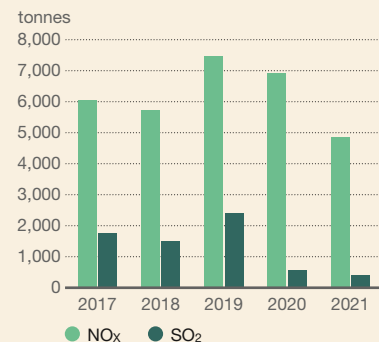
Emissions of nitrogen oxides from SCA's industries rose in 2021 due to higher pulp production and increased biofuel energy, mostly at Östrand.

Emissions to air from industry, SO₂



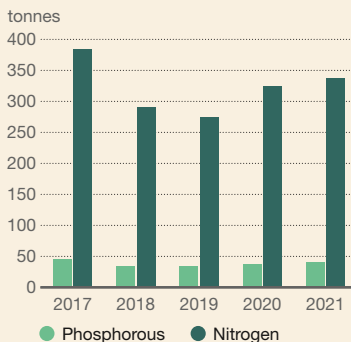
Emissions of SO₂ from SCA's industries fell in 2021 due to the calibration of Munksund and Öbbola.

Emissions from transport activities, NO_x and SO₂



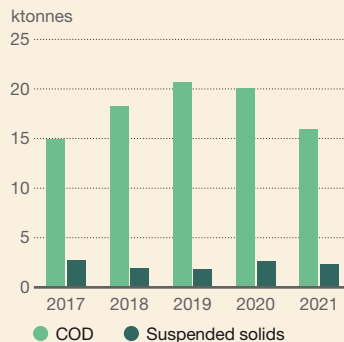
SO₂ emissions are reduced due to the new global regulations from 2020 that mean sulfur levels in marine fuels must not exceed 0.5%. Prior to this, a limit was only in force in the Baltic Sea and North Sea of 0.1%.

Water effluents from industry, phosphorous and nitrogen



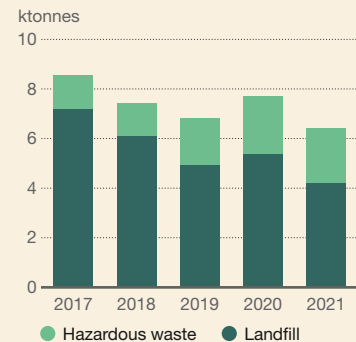
Emissions of phosphorous and nitrogen rose slightly in 2021 due to operational problems with wastewater treatment facilities at Öbbola and Munksund. Munksund's new wastewater treatment facility began operating during the year.

Water effluents from industry, COD and suspended solids



In 2021, emissions of COD and suspended solids decreased compared with 2020. In addition to the temporary closure of Örtviken, emissions fell due to the calibration of Öbbola and the start-up of the new wastewater treatment facility in Munksund.

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 96% (94). A small quantity is sent to landfill or treated as hazardous waste 4% (6).



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. A Health and Safety Week is held every year.

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. 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.

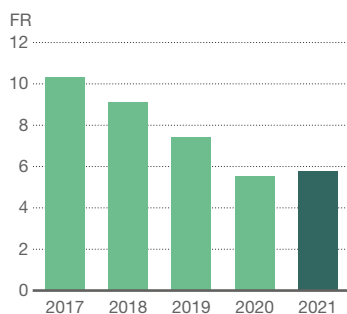
SCA conducts training initiatives with regard to health and safety. In 2021, 161 managers, safety officers and others who are active in improving the work environment received training to create a better work environment (BAM) and more than 500 employees were trained in behavior-based safety (BBS), a 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 2021, 33 (36) workplace accidents took place resulting in absence, which is at roughly the same level to last year measured as the accident frequency rate. Just over 50% of the accidents were caused by slips, trips and falls.

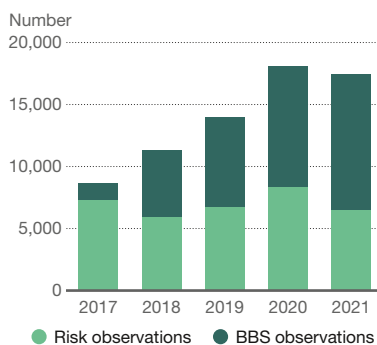
The number of days of absence due to workplace accidents has increased to 14 days (8) per accident in 2021 and a total of 472 (310) days for the year. A small number of accidents accounts for a large share of absence. In 2021, an accident in conjunction with loading a container resulted in most days of absence (77 days). As part of preventive efforts, 17,477 (18,079) risk and BBS observations were reported.

Workplace accident frequency rate



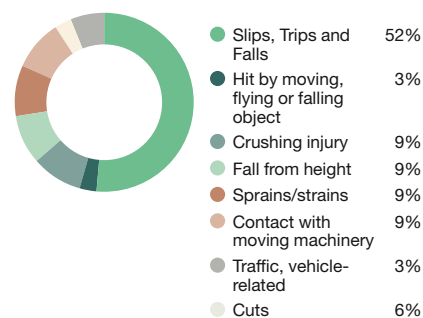
The accident frequency rate (FR), measured as the number of workplace accidents resulting in absence per million hours worked remained at roughly the same level 2021 as in 2020. The long-term trend is positive and a clear sign that the ZERO initiative is having the desired effect.

Risk and BBS observations



The number of BBS observations increased by approximately 13% 2021 while the number of employees has fallen by about 15%. Risk observations declined by about 20% during the same period.

Cause of accidents



Slips, trips and falls are responsible for just over 50% of workplace accidents resulting in absence in 2021.



RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

Coronavirus, Covid-19

Health and safety have always been a top priority at SCA. The company is complying with the restrictions imposed by the authorities and has taken steps to avoid the spread of the virus at workplaces, protect risk groups and safeguard operations. In 2021, 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. During the period SCA has also performed major maintenance stoppages and investment projects are progressing on time.

The pandemic has impacted the global economy and also SCA's operations. Sales and earnings for construction materials, pulp and packaging paper were strong during the year and timber supply worked well.

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 every two years. Focus in 2021 was on working with action plans to retain strengths and develop selected areas for improvement.

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 98%. Working hours are regulated in laws and agreements and through internal guidelines for availability.

Diversity and inclusive culture

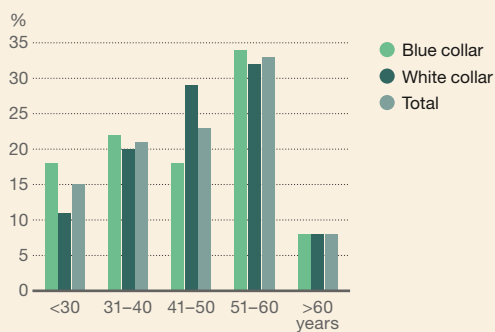
SCA stands up for the equal value of every person and respect for each other. It fosters cooperation and allows us to develop, as people and as a company. The principles for the company's work in the field are detailed in SCA's HR Policy and procedures for victimization. The equal opportunity plans, 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.

To increase attractiveness and 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. SCA Forest is one of 25 parties in "Jämställdhet i skogsbranschen", a gender equality project in the forest industry, that was started by the Västernorrland County Administrative Board. One goal has also been to achieve greater gender balance among summer workers.

Competence supply and development

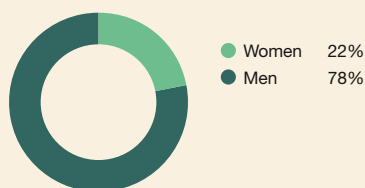
The need for training is identified based on the needs of the unit and the individual to meet future challenges in the best way

Employee age distribution for the Group



Compared with 2020, the proportion of employees over the age of 60 has fallen, largely due to the discontinuation of publication paper operations. The proportion of 31-40 year-olds has risen. Refers to permanent staff at the end of the year.

Distribution women and men in total for the Group

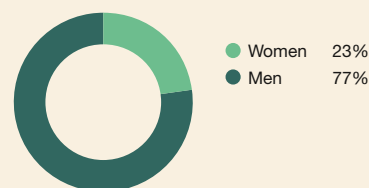


The share of women in total in the Group amounts to 22%, which is an increase of 1% compared with the Group total in 2020.

Active work for inclusion and attractiveness as an employer. Examples include:

- A living Code of Conduct through training and discussion cards for dialogue about values.
- Through Instagram #wearesca where different employees show their daily lives at SCA.
- New season of SCA's podcast Ingenjörspodd. Available through podcast platforms or on <http://www.sca.com/podcast>.
- Switched to virtual labor market fairs, study visits and summer job recruitment.
- Training in equal opportunity recruitment and the aim that at least one of the final candidates be from the underrepresented gender.
- Greater gender balance among summer workers. Forest, Munksund sawmill, Central Functions and Sourcing & Logistics all reached a level of more than 40% women.
- Participation in Tekniskprången (IVA), where 60% of participants are women.

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 23% in 2020 and 19% in 2019).



RESPONSIBILITY FOR PEOPLE AND THE COMMUNITY

possible. SCA applies the 70-20-10 model for learning and development, meaning most learning is achieved through practical training and reflection in the work situation (70), followed by learning through interaction (20) and formal training (10). 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 2021, 380 young people had summer jobs at SCA.

SCA Pulp has participated in a project supported by Vinnova called Flaggskeppsfabriken – digital, together with SKF, Volvo Braås, Sandvik Coromant Gimo, AstraZenca and Scania Trucks, that looked at opportunities and challenges linked to skills development for a sustainable technology transition.

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.

Employeehip 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 2021, a total of 180 managers took part in these activities.

A new Group system for employee and organizational data was implemented in 2021. The system enables the digitalization of most of our employee processes and will help us in our ambition to standardize, enhance and optimize processes for our employees and managers.

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 3,500 employees in 2021, 98% were employees in Sweden and the remaining 2% mainly in Europe. 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 is collaborating 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 2021, the coronavirus pandemic has impacted many of the activities that the company normally participates in or organizes.

Examples from 2021

- University partnerships to use AI technology for safer maintenance aimed at reducing the risk of accidents.
- Taken part in UF fairs (senior high school students) in Norrbotten, Västerbotten, Västernorrland and Jämtland.
- Supporting associations and local community engagement in sport, culture and other areas.
- Development of the world's first electric timber truck in collaboration with Scania.
- Development of the world's first remotely controlled timber loader in a project supported by Vinnova and with participants from SCA, Volvo, Telia, Biometria, MiUN and Skogforsk.
- Dialogue with societal functions and local residents about the expansion of the container terminal in Sundsvall.
- Meetings with reference groups at SCA's conservation parks to develop management plans for the parks.
- Collaboration with Sundsvall Municipality, employment offices, educational institutions and potential new employees as part of reemployment efforts following the discontinuation of publication paper operations.



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.

	2021	2020	2019
Average number of employees	3,577	4,196	4,253
Number of employees¹⁾	3,373	3,829	4,118
of whom men	2,627	3,017	3,324
of whom women	746	812	794
Number of temporary employees¹⁾	429	422	433
of whom men	294	281	307
of whom women	135	141	126
Number of part-time employees¹⁾	56	77	89
of whom men	43	49	52
of whom women	13	28	37
Age distribution			
<21 years old	0%	0%	0%
21–30	14%	15%	15%
31–40	21%	18%	18%
41–50	23%	24%	25%
51–60	34%	33%	33%
61+	8%	10%	9%
Employee turnover²⁾	21%	14%	6%
of which retirement and restructuring ³⁾	14%	10%	2%
of which other	7%	4%	4%
Gender equality			
Share of women on the Board of Directors (excluding appointed by employees)	40%	33%	40%
Share of women on the Board of Directors (including appointed by employees)	38%	36%	38%
Share of women in the Executive Management Team	25%	25%	17%
Share of women, in management positions ⁴⁾	23%	23%	19%
Share of women, all employees	22%	21%	19%
Share of women, white collar	35%	34%	32%
Share of women, blue collar	13%	12%	10%
Health and Safety			
Absence due to illness total	3.0%	3.9%	3.1%
Number of workplace accidents resulting in absence, LTA (of which non-Swedish units)	33 (0)	36 (5)	49 (5)
Number of workplace accidents among contractors, CLTA ⁵⁾ (of which fatal accidents)	36 (0)	24 (0)	17 (0)
Number of working days lost due to workplace accidents, DLA ⁶⁾	472	310	567
Workplace Accident Severity Rate, ASR, measured as days of absence/LTA	14.3	8.6	12.0
Workplace accident Frequency Rate, FR, (LTA/1,000,000 WH)	5.8	5.6	7.4
Fatal accidents	0	0	0
Total Recordable Incidents, TRI ⁷⁾	112	124	164
Number of hours worked, million hours	5.69	6.48	6.59

¹⁾ Refers to employees on December 31.

²⁾ Refers to permanent staff.

³⁾ In 2021, 11 percentage points was due to the discontinuation of publication paper operations.

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).



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 2020.

		Total SCA			Total Pulp and paper mills		Total Wood and Energy		Ortviken paper mill		Östrand pulp mill		Munksund paper mill	
		2021	2020	2019	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
PRODUCTION														
Paper, pulp and pellets	ktonnes	1,922	2,434	2,460	1,734	2,245	188	189	63	581	861	839	378	385
Timber and solid-wood products	1,000 m³	2,263	2,285	2,386			2,276	2,285						
ENERGY														
Electricity														
Co-generation	GWh	1,037	852	1,006	1,037	852	0	0	33	45	671 ¹⁾	600 ¹⁾	183	114
Grid supply	GWh	705	1,915	2,078	521	1,737	183	178	177	1,265 ¹⁾	10	9	155	223
TOTAL	GWh	1,742	2,767	3,083	1,559	2,589	183	178	209	1,310	681	609	338	337
Fuels														
Biofuel	TJ	32,752	32,679	31,879	30,229	30,436	2,523	2,243	940	2,250	18,860	17,770	6,074	6,044
Fossil fuel	TJ	1,351	1,562	1,674	1,166	1,344	185	218	102	185	504	658	163	125
Electric boiler	TJ	123	219	168	123	219	0	0	51	162	0	0	71	56
TOTAL	TJ	34,226	34,460	33,721	31,518	31,998	2,709	2,461	1,094	2,598	19,363	18,428	6,308	6,226
of which co-generation	TJ	7,866	7,413	7,431	7,866	7,413	0	0	156	201	6,373	6,380	703	443
EMISSIONS														
To air														
NO _x as NO ₂	tonnes	2,180	2,106	1,995	2,078	2,010	103	97	67	149	1,320	1,161	436	428
SO ₂	tonnes	322	360	300	310	345	12	15	7	26	202	165	82	122
Dust	tonnes	267	260	233	215	194	53	66	4	10	141	129	44	30
CO ₂ fossil	ktonnes	105	120	127	91	104	14	16	8	13	39	51	12	9
CO ₂ fossil, grid electricity	ktonnes	9	27	27	7	24	2	3	2	17	0	0	2	3
CO ₂ biogenic	ktonnes	3,330	3,464	3,383	3,120	3,239	210	226	92	216	1,931	1,909	645	642
To water														
COD	tonnes	15,925	20,063	20,730	15,891	20,063	34	0	642	3,084	9,258	8,461	4,616	6,975
BOD	tonnes	3,026	3,948	3,916	2,963	3,884	64	64	19	79	718	745	2,010	2,830
Suspended solids	tonnes	2,353	2,628	1,873	2,352	2,627	1	1	115	142	1,114	954	614	876
AOX	tonnes	28	24	28	28	24	0	0	0	2	24	19	2	2
Phosphorous (P)	tonnes	40	37	35	39	36	1	1	1	3	15	16	10	6
Nitrogen (N)	tonnes	337	325	274	334	322	3	3	28	56	173	167	68	42
Effluent water (process water)	Mm³	45	50	46	44	50	0	0	5	12	19	17	15	16
Solid waste ²⁾														
Landfill	tonnes	4,183	5,394	4,947	4,148	4,089	35	1,305	29	12	33	33	2,642	1,492
Recovery	tonnes	162,538	127,303	143,289	149,882	113,668	12,656	13,635	14,705	20,707	83,391	52,070	16,688	9,044
Hazardous waste	tonnes	2,253	2,310	1,878	828	1,433	1,424	878	373	204	297	520	97	230
RAW MATERIALS AND SOLD BY-PRODUCTS (GROUP TOTAL)														
Raw materials		2021	2020	2019	External sold by-products					2021	2020	2019		
Wood and sawmill chips	ktonnes	4,300	4,600	4,600	Electricity					TWh	0.40	0.42	0.35	
Purchased pulp	ktonnes	0	0	0	District and waste heat					TWh	0.47	0.33	0.47	
Recovered paper	ktonnes	283	272	292	Solid biofuels ³⁾					TWh	2.5	1.7	1.9	
Inorganic material	ktonnes	44	165	199	Tall oil, turpentine					ktonnes	47	50	38	
Organic fossil material	ktonnes	1	8	10										
Water ⁴⁾	Mm³	123	142	145										

¹⁾ Figure refers to electricity consumed from co-generation. Surplus electricity is sold externally and recognized in the table External sold by-products.

²⁾ In 2021, 18,533 tonnes of construction waste was also created by the expansion project in Obbola and 36,496 tonnes related to the closure and conversion in Ortviken. Of this, 98% and 97%, respectively, were recoverable.

³⁾ Including volumes from operations where SCA has total responsibility for sales.



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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	433	441	168	166	21	23														
					94	92	93	90	532	534	360	335	369	326	284	267	531	510		132
	151	92	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	180	240	31	30	6	6	4	4	43	40	19	17	25	23	20	18	36	35		4
	330	333	31	30	6	6	4	4	43	40	19	17	25	23	20	18	36	35		4
	4,355	4,371	416	415	7	6	2	1	706	581	305	289	443	399	268	223	376	327		0
	398	376	1	1	0	0	0	0	66	69	0	0	19	13	4	4	94	121		9
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	4,753	4,747	417	417	7	6	2	2	772	650	305	289	463	412	272	228	470	448		9
	634	389	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	255	272	0	0	1	1	0	0	51	48	23	22	7	6	13	14	7	6		0
	20	32	0	0	0	0	0	0	2	2	0	0	1	1	0	0	9	12		0
	26	26	36	55	1	0	0	0	4	3	1	0	0	0	11	8	0	0		0
	32	30	0	0	0	0	0	0	5	5	0	0	2	1	0	0	7	9		1
	2	3	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0		1
	452	472	40	40	1	1	0	0	69	56	32	28	0	38	33	32	37	31		0
	1,375	1,543	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0		0
	216	230	0	0	0	0	0	0	64	64	0	0	0	0	0	0	0	0		0
	510	654	1	1	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
	12	11	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0		0
	66	58	0	0	0	0	0	0	3	3	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
	1,444	2,552	22	29	0	0	0	0	0	1,201	0	12	12	10	0	0	2	50		3
	35,098	31,846	2,033	182	170	140	399	284	3,804	3,347	1,410	1,318	77	73	4,671	8,094	93	196		0
	62	479	1,238	395	0	7	2	4	37	266	0	8	17	15	53	47	66	135		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



EU TAXONOMY

EU Taxonomy

Economic activities included in the EU Taxonomy

The EU taxonomy for sustainable investments should offer guidance for the financial market to identify economic activities that make a substantial contribution to help the EU achieve its environmental objectives and green growth strategy. Currently, only two of six environmental objectives apply, mitigation and adaptation to climate change resulting from global warming.

All of SCA's products contribute in various ways to the sustainable transition of society, for example, by replacing fossil materials with products based on renewable materials from responsibly managed forests, but not all of the company's products are covered by the existing version of the EU taxonomy. SCA's activities that are considered to fall within the scope of the taxonomy's two first objectives are:

1. Forest operations – Mainly internal sales. External sales consist of silvicultural services and sales of seedlings
2. Renewable energy – Sales of, for example, tall oil, electricity and district heating
3. Logistics – Sales of logistics services such as freight transport on own or leased vessels and rail transportation

Examples of SCA's activities that contribute to sustainable development but are considered not to fall within the scope of the taxonomy's two first objectives are:

1. Production and sales of solid-wood products for construction, renovation and manufacturing of furniture
2. Production and sales of fiber-based packaging material
3. Production and sales of pellets to generate renewable energy

According to the Swedish Annual Accounts Act, for 2021, the company must report the share of external sales that comprise

economic activities that are eligible under the existing version of the EU taxonomy. As only external sales are included in the mandatory report, internal sales of timber for the production of solid-wood products, pulp and packaging paper are not applicable for SCA as a Group.

As a voluntary disclosure, SCA has chosen to also report the eligible share that based on external and internal sales. The reason for this is that forest management, which forms the foundation of SCA's operations, is included in the taxonomy but is excluded from the mandatory reporting in accordance with the Swedish Annual Accounts Act. In addition to forest management, internal sales also include logistics services, which SCA Logistics is responsible for and sells to SCA's business areas. SCA has also chosen to report the share of capital employed based on activities identified as eligible when both external and internal sales are included.

Method

For the mandatory as well as the voluntary reporting, SCA has applied an activity based method to calculate the eligible share of the company's economic activities. The method is based on sales of products and services externally and for the voluntary disclosure also internally between the company's business areas. Both cases include net sales and other operating income. The percentage of activity based sales from eligible economic activities is thereafter applied to the Group's net sales. In a similar way, operating expenditures and capital expenditures as defined by the taxonomy, and capital employed linked to these activities are calculated in relation to the Group's total operating expenditure, capital expenditure and capital employed, respectively.

Outcome 2021

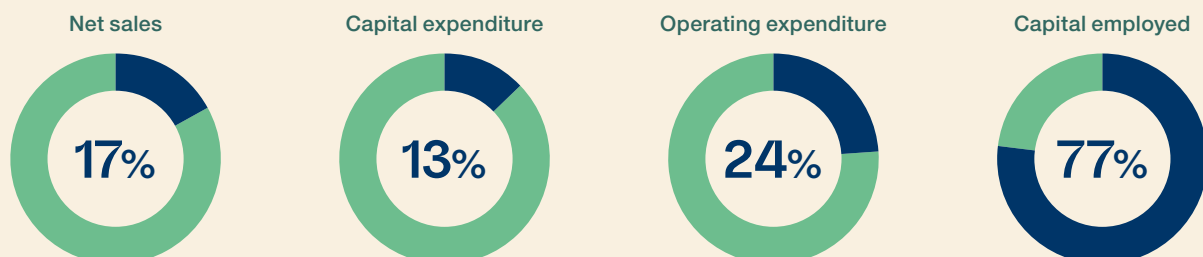
	Total, SEKm	Based on external sales Mandatory disclosure		Based on external and internal sales Voluntary disclosure	
		Share eligible, %	Share non-eligible, %	Share eligible, %	Share non-eligible, %
Net sales	18,822	7%	93%	17%	83%
Capital expenditure	5,180	13%	87%	13%	87%
Operating expenditure ¹⁾	1,281	24%	76%	24%	76%
Capital employed ²⁾	90,807			77%	23%

¹⁾ According to the definition in the EU Taxonomy

²⁾ Voluntary disclosure

Share of economic activities included in the EU Taxonomy 2021

Eligible share based on external and internal sales, voluntary disclosure





About the Sustainability Report

SCA publishes a sustainability report each year. The latest report was published in March 2021.

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. 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 2021. 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 2021 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 in the Board of Directors' Report on page 67.

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 effect 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 PC15, see page 132, 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 2, 2022. 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 March 31, 2022.

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 60, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 168–169.

Sundsvall, March 2, 2022

Pär Boman
Chairman of the Board

Niclas Andersson
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

Carina Håkansson
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 4, 2022

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 2021 except for the corporate governance statement on pages 68–77 and the sustainability report defined on page 60. The annual accounts and consolidated accounts of the company are included on pages 68–132 and page 162 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, 2021 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, 2021 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 68–77 and the sustainability report on page 60. 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 values its forest assets at fair value in accordance with IAS 16 and IAS 41. The group's forest assets are divided into biological assets where the change in value is recognized as operating profit in accordance with IAS 41 Agriculture, and into land assets accounted for with the revaluation model and where the change in value is reported as other comprehensive income in accordance with IAS 16 Property, Plant and Equipment.</p> <p>The fair value of the group's total forest assets are determined based on transactions in the areas where SCA owns forest land and the calculated standing timber volumes, to then be split based on cash flows relating to the two assets. The valuation is classified as level 3 in accordance with IFRS 13. A description of the accounting principles, important assessments and assumptions are presented in note D3 together with other information regarding forest assets.</p> <p>As of December 31, 2021, the forest (biological assets) has been disclosed at a value of SEK 53 309 million and land assets at a value of SEK 31 188 million, totaling SEK 84 497 million which is 71,5% of the group's total assets.</p> <p>The valuation process is complex as it requires judgement and assumptions in terms of market statistics, timber volumes and the future discounted cash flows determining the split between land- and biological assets.</p> <p>Significant judgmental areas include the areas and period of the market statistics, calculated timber volumes, discount rates and cash flows. Based on the above, we consider that the valuation of the group's forest assets to be a Key Audit Matter.</p>	<p>Our audit procedures have included, among others, the following audit procedures:</p> <ul style="list-style-type: none">• Reviewed and audited the group's process and method for valuating forest assets and the splitting of total fair value between land- and biological assets.• Reviewed the third party suppliers of market statistics and assessed the reliability of this data.• Reviewed and audited the calculation of timber volumes• For the split between land- and biological assets we have further:<ul style="list-style-type: none">◦ Reviewed the discount rate with the help of EY's internal valuation experts◦ Assessed the judgement applied in the cash flow models such as what costs and income are included and the assumed inflation rate◦ Reviewed the data in the cash flow models against accounting records and supporting evidence. For the input in the model based on forecasts, we have assessed the reasonability in applied judgement and in order to assess the reliability of previous forecasts by comparing to historical outcome.• Assessed the group's sensitivity analysis (parameters and arithmetically) and computed our own sensitivity analysis. <p>Finally we have assessed whether related disclosures are appropriate.</p>

AUDITOR'S REPORT

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 1–53, 133–161 and 168–176. The remuneration report for the financial year 2021 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 CEO

The Board of Directors and the CEO 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 CEO 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 CEO 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 CEO 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 CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO'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.

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 CEO of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2021 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 CEO 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 CEO

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 CEO 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 CEO 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 ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the CEO have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Svenska Cellulosa Aktiebolaget SCA AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #(SHA-256: ad3bd4c9827bbc698d3b8b6b8dd4bc9b032afe61eed205d8e18069c3117724dc) has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Svenska Cellulosa Aktiebolaget SCA AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



AUDITOR'S REPORT

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the CEO determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the CEO, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the CEO.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 68–77 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 60 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 according to the requirements of the Annual Accounts Act.

Ernst & Young AB, with Fredrik Norrman as auditor-in-charge since 2020, was appointed auditor of Svenska Cellulosa Aktiebolaget AB by the general meeting of the shareholders on April 15th, 2021 and has been the company's auditor since 2016.

Stockholm March 4, 2022

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant



Limited Assurance Report on the Sustainability 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 2021. 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 161, 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, 4 March 2022

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	4, sca.com	
102-3	Location of headquarters	176	
102-4	Location of operations	90	
102-5	Ownership and legal form	52–53	
102-6	Markets served	92	
102-7	Scale of the organization	3, 90–91	
102-8	Information on employees and other workers	90, 157	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	144	
102-10	Significant changes to the organization and its supply chain	54–56	
102-11	Precautionary Principle or approach	151	
102-12	External initiatives	139	
102-13	Membership of associations	7, 139	
Strategy			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	142–144	
Governance			
102-18	Governance structure	68–69, 139	
Stakeholder engagement			
102-40	List of stakeholder groups	141	
102-41	Collective bargaining agreements	155	
102-42	Identifying and selecting stakeholders	140–141	
102-43	Approach to stakeholder engagement	140–141	
102-44	Key topics and concerns raised	140–141	
Reporting practice			
102-45	Entities included in the consolidated financial statements	120 (Note F1), 161	
102-46	Defining report content and topic boundaries	161	
102-47	List of material topics	140	
102-48	Restatements of information	161	
102-49	Changes in reporting	54–56	
102-50	Reporting period	161	
102-51	Date of most recent report	161	
102-52	Reporting cycle	161	
102-53	Contact point for questions regarding the report	176	
102-54	Claims of reporting in accordance with the GRI Standards	161	
102-55	GRI index	168–169	
102-56	External assurance	162, 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	140, 161	136–137, 139	139
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	139, 143, 161	136–137, 139, 143	139
Energy				
GRI 302: Energy	302-1	140, 152, 161	136–137, 139	139
Biodiversity				
GRI 304: Biodiversity	304-3	140, 150, 161	136–137, 139	139
Emissions				
GRI 305: Emissions	305-5	140, 161	136–137, 139	139
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	140, 161	136–137, 139, 154	139
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity	405-1	140, 161	136–137, 139, 154	139

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	154	139, 143, 154, 161	154	141, 154–155, 161	154	154–156	144, 151

Material sustainability topics				
Area	Disclosure number	Description	Page	Comment/Omission
Economic performance				
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	134, 145	
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	142–143	
Energy				
GRI 302: Energy	302-1	Energy consumption within the organization	152, 158–159	
Biodiversity				
GRI 304: Biodiversity	304-3	Habitats protected or restored	148–150	
SCA's own disclosure: Responsible fiber sourcing	Own definition	Percentage of wood raw material from certified forests or harvested with SCA retention	148–149	
Emissions				
GRI 305: Emissions	305-5	Reduction of GHG emissions	146–147, 158–159	
SCA's own disclosure: SCA's total climate effect	Own definition	Contribution to reduction in global warming expressed as SCA's climate benefit	146–147	
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	Work-related injuries	143, 154–155, 157, 161	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	76–77, 90, 154–157	Departure for information on minority groups in accordance with Swedish law.



MULTI-YEAR SUMMARY

Financial multi-year summary

SEKm	2021	2020	2019	2018	2017	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾
INCOME STATEMENT								
Net sales	18,822	18,410	19,591	18,755	16,664	15,373	16,152	15,412
EBITDA	9,109	4,440²⁾	5,319³⁾	5,252	3,648	3,385	3,781	3,300
Forest	2,644	2,213	1,740	1,394	1,363	1,238	1,213	1,240
Wood	2,968	657	789	904	670	531	484	607
Pulp	2,096	614	983	709	482	530	970	768
Containerboard ⁵⁾	1,761	1,190	2,064	2,468	1,479	1,246	1,317	855
Other	-360	-234 ²⁾	-257 ³⁾	-223	-346	-160	-203	-170
Depreciation	-1,475	-1,601 ²⁾	-1,616 ³⁾	-1,250	-1,137	-1,114	-2,517	-1,218
Operating profit	7,634	2,839²⁾	3,703³⁾	4,002	2,511	2,271	1,264	2,082
Financial items	-107	-117	-126	-29	-93	-84	-128	-221
Profit before tax	7,527	2,722²⁾	3,577³⁾	3,973	2,418	2,187	1,136	1,861
Taxes	-1,426	-483 ²⁾	-730 ³⁾	-314	-544	-417	-262	-482
Profit for the period	6,101	2,239²⁾	2,847³⁾	3,659	1,874	1,770	874	1,379
BALANCE SHEET								
Forest assets	84,497	74,900	69,682	33,065	32,384	31,765	31,113	30,679
Deferred tax liabilities related to forest assets	-16,905	-14,977	-13,977	-6,658	-6,905	-6,769	-6,626	-6,531
Working capital	2,823	2,759	3,748	3,735	2,861	2,740	3,002	3,118
Other capital employed	20,392	17,152	17,654	15,940	14,379	12,390	10,347	11,562
Capital employed	90,807	79,834	77,107	46,082	42,719	40,127	37,836	38,828
Equity	83,055	72,163	68,510	39,062	36,753	35,127 ⁴⁾	-	-
Net debt	7,752	7,671	8,597	7,020	5,966	5,000 ⁴⁾	-	-
Capital employed	90,807	79,834	77,107	46,082	42,719	40,127	37,836	38,828
CASH FLOW STATEMENT								
Operating cash flow	5,216	2,688	2,922	2,751	2,273	1,917	2,481	1,469
Cash flow before dividend	876	723	145	528	-754	-350	1,673	1,050
Current capital expenditures, net	-1,236 ⁶⁾	-1,224	-1,132	-1,002	-638	-959	-869	-876
Strategic capital expenditures in non-current assets	-3,723	-1,414	-1,256	-1,967	-2,863	-2,231	-946	-184
KEY FIGURES								
EBITDA margin	48.4%	24.1% ²⁾	27.2% ³⁾	28.0%	21.9%	22.0%	23.4%	21.4%
Operating margin	40.6%	15.4% ²⁾	18.9% ³⁾	21.3%	15.1%	14.8%	7.8%	13.5%
Industrial return on capital employed	33.0%	5.4% ²⁾	11.9%	20.1%	12.5%	10.5%	2.2%	8.1%
Return on capital employed	9.0%	3.6% ²⁾	6.9% ³⁾	9.0%	6.1%	5.8%	3.3%	5.4%
Working capital as a percentage of sales	16.2%	18.3%	20.2%	17.5%	17.7%	17.8%	18.6%	20.2%
Net debt/EBITDA	0.9x	1.7x ²⁾	1.6x ³⁾	1.3x	1.6x	1.5x ⁴⁾	-	-
Net debt/Equity	9%	11%	13%	18%	16%	14% ⁴⁾	0%	0%
Data per share								
Earnings per share, SEK	8.69	3.19 ²⁾	4.05 ³⁾	5.21	2.67	2.52	1.24	1.96
Dividend per share, SEK	3.25 ⁷⁾	2.00	0.00	1.75	1.50	-	-	-
Operating cash flow per share, SEK	7.43	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⁾ The Paper segment changed name to Containerboard on January 1, 2021. Until this date, the segment included both containerboard and publication paper.

⁶⁾ SEK -40m from new, remeasured and terminated leases.

⁷⁾ Board of Directors' proposal.



MULTI-YEAR SUMMARY

Non-financial multi-year summary

		2021	2020	2019	2018	2017
Values	Employees trained in SCA's Code of Conduct	97%	96%	96%	90%	90%
	Percentage of contract suppliers that have approved SCA's Supplier Standard	98%	94%	93%	94%	75%
	Number of confirmed breaches of SCA's Code of Conduct	5	7	8	2	-
Profitable growth	Total shareholder return (TSR)	14%	51%	41%	-17%	-
	Credit rating	Investment Grade	Investment Grade	Investment Grade	Investment Grade	Investment Grade
Fossil-free world	Climate benefit ¹⁾ , million tonnes of CO ₂ e	10.5	9.6	10.5	8.0	-
	Uptake of CO ₂ through net growth of SCA's forests, million tonnes CO ₂	5.4	4.4	5.4	4.0	4.0
	Fossil emissions in the value chain (Scope 1–2–3), million tonnes of CO ₂ e	0.72	0.86	0.91	0.88	-
	Fossil-free production (emissions from used fuel and electricity)	96%	95%	95%	93%	95%
	Specific fossil emissions from transportation in the value chain, g of CO ₂ e per tonne-kms transport performed	18.6	19.0	17.9	19.3	21.2
	Installed capacity of wind power on SCA's land, TWh per year	6.5	5.4	4.4	2.6	2.3
Valuable forests	Standing volume in SCA's forests ²⁾ , million m ³ fo	261	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%	100%
	Wood raw material from responsibly managed forests, percentage of wood raw material from certified forestry or harvested with SCA retention ⁴⁾	72%	81%	67%	71%	71%
	Replanting, millions of seedlings planted in SCA's forests	67	46	35	36	32
	Nature conservation area ⁵⁾ , % of productive forest land	24.5%	22.5%	21.0%	20.0%	24.0%
	Number of consultation meetings with reindeer-herding Sami communities	80	120	79	69	65
Efficient use of resources	Wood raw material used, million m ³ sub	10.7	11.3	11.2	9.6	9.6
	Electricity used, TWh	1.74	2.77	3.08	2.96	3.04
	Emissions to air of nitrogen compounds, tonnes of NO ₂	2,180	2,106	1,995	1,831	1,696
	Emissions to water of suspended solids, tonnes	2,353	2,628	1,873	1,892	2,786
	Waste sent to landfill or classified as hazardous waste, tonnes	6,436	7,704	6,825	7,303	8,827
Responsibility for people and the community	Average number of employees	3,577	4,196	4,253	4,216	4,127
	Share of women in the Group	22%	21%	19%	19%	18%
	Sickness absence, short and long-term	3.0%	3.9%	3.1%	3.5%	3.8%
	Workplace accident Frequency Rate, LTA per million hours worked	5.8	5.6	7.4	9.1	10.4
	Preventive activities – Risk and behavior-based safety observations, number of observations	17,477	18,079	13,964	11,290	8,500

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 pertains to harvesting where the on-site retention corresponds to the FSC standard.

⁵⁾ Nature conservation area refers to voluntary set-asides and variable 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 measures

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 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.

Climate benefit describes the company's total climate effect in millions of tonnes of carbon dioxide equivalents and is calculated using a model described on pages 146–147 and on sca.com. The model comprises three components: forest net uptake of CO₂, fossil emissions from the value chain and the products' contribution when these replace fossil materials.

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 holding 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 timber 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 March 31, 2022 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 of participation in the AGM through postal voting

Shareholders who wish to attend the Annual General Meeting must be listed in the shareholders' register maintained by Euroclear Sweden AB as of Wednesday, March 23, 2022, and give notice by submitting their postal vote so that the postal vote reaches Euroclear Sweden AB no later than on Wednesday, March 30, 2022.

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 the shareholders are listed in the statement of

the shareholders' register on Wednesday, March 23, 2022. Such registration may be temporary (so-called voting rights registration) 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, March 25, 2022, will be taken into account when preparing the shareholders' register.

Postal voting

Shareholders may only exercise their voting rights at the AGM by voting in advance, what is known as postal voting pursuant to the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations. A special form must be used for postal voting. 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. To be considered valid, the completed and signed form must be in the possession of Euroclear Sweden AB by Wednesday, March 30, 2022 at the latest.

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/>. To be considered valid, such electronic votes must be submitted by Wednesday, March 30, 2022.

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 (1) year from its issue or the longer period of validity stipulated in the power of attorney, though not more than five (5) years. If the shareholder is a legal entity, a registration certificate or equivalent authorization document, not older than one (1) 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 2021, SCA took a significant step toward a business structure that will create even greater value over time.

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

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.



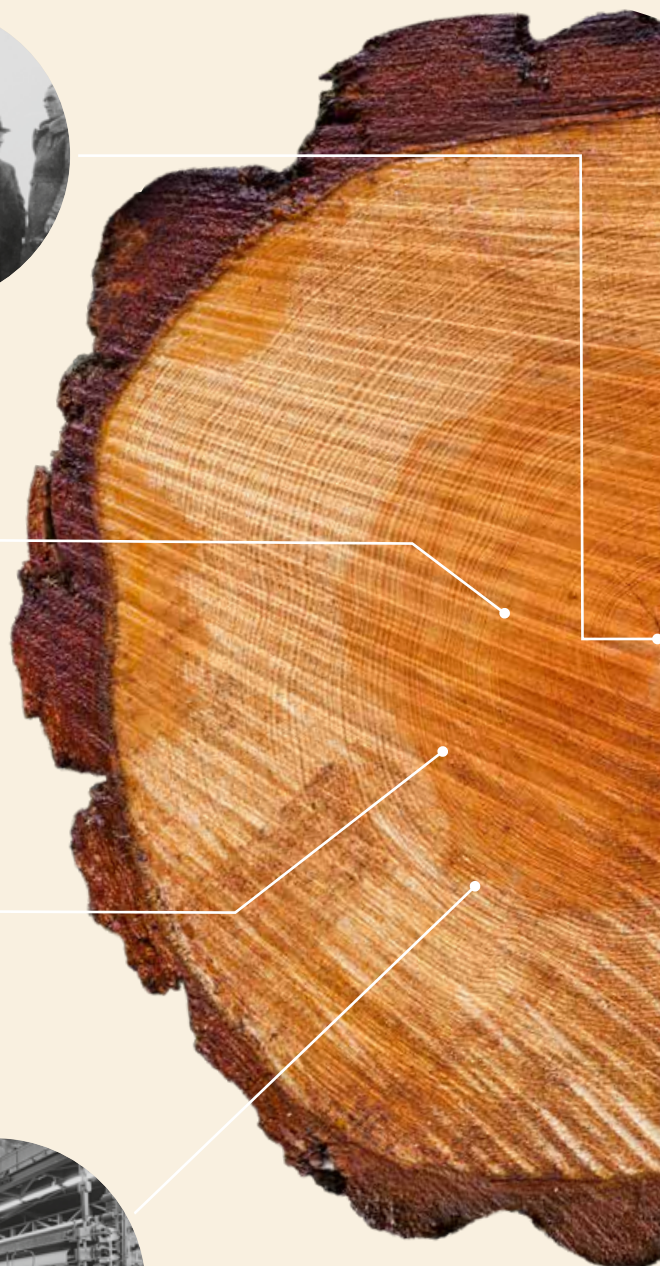
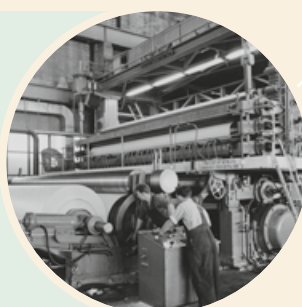
1950

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

SCA chooses newsprint as a strategic development area. The sulfite pulp mill in Örtviken became a newsprint mill. Two newsprint machines were built in 1956–1957 with a total capacity of 160,000 tonnes.





SCA'S DEVELOPMENT



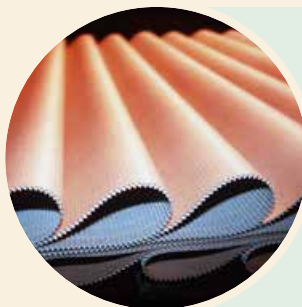
2021

SCA's earnings were the highest ever. During the year, SCA discontinued its publication paper operations and invested in increased production of pulp and containerboard. Together with St1, SCA invests in producing and developing biofuels that use residual products from SCA's industries as raw material.



2017

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.



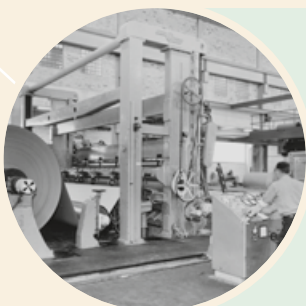
2012

SCA sold its packaging business to DS Smith. SCA also sold its publication paper mills outside of Sweden, Laakirchen and Aylesford.



1975

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.



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.



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