



SCA Sustainability Report
2006



The year at a glance

To further **improve the efficiency of SCA's water consumption**, an internal seminar was held to provide information about improvement measures, such as efficient management of process water. The results of this initiative are already beginning to show.

Efforts to **reduce carbon dioxide emissions from fossil fuels in relation to production levels** have led to the widespread use of efficient co-generation technology at the paper and pulp mills.

Responsible use of wood: SCA's forests are certified according to FSC, a strict international standard. In 2006, SCA raised the standards for its wood suppliers.

Observance of SCA's Code of Conduct: In 2006 SCA introduced sweeping safety improvements at its production plants in China. The Group also evaluated the observance of human rights at plants in six countries.

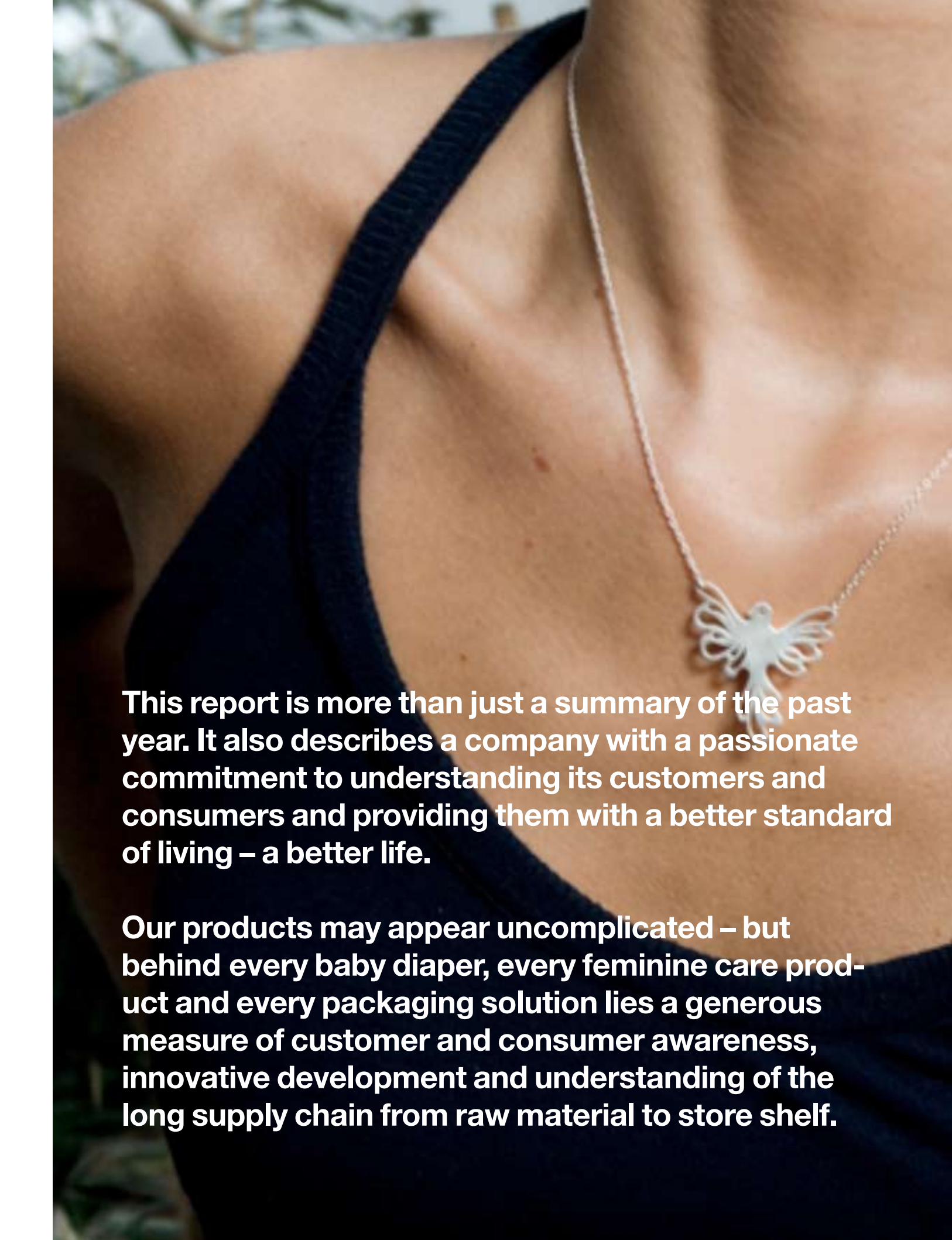
Indicators SCA Group	2006	2005	2004
Production			
paper and pulp (ktonnes)	9,455	9,486	9,061
personal care products (ktonnes)	481	407	439
timber and solid wood (1,000 m ³)	1,660	1,576	1,509
Grid supply electricity (GWh)	6,610	6,469	5,883
Emission of carbon dioxide (ktonnes)	2,759	2,923	2,973
Effluent water (Mm ³)	129	129	125
Employees	51,022	51,902	49,919
Women (%)	25	25	26
Salaries (SEKm)	14,668	14,470	14,346
Social costs (SEKm)	4,071	4,387	4,421

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Reporting Principles

Following an acquisition, performance data for new SCA units is only included in the social and environmental reporting once the new units have been a part of SCA for a full calendar year and the ownership is 50% or more.



This report is more than just a summary of the past year. It also describes a company with a passionate commitment to understanding its customers and consumers and providing them with a better standard of living – a better life.

Our products may appear uncomplicated – but behind every baby diaper, every feminine care product and every packaging solution lies a generous measure of customer and consumer awareness, innovative development and understanding of the long supply chain from raw material to store shelf.



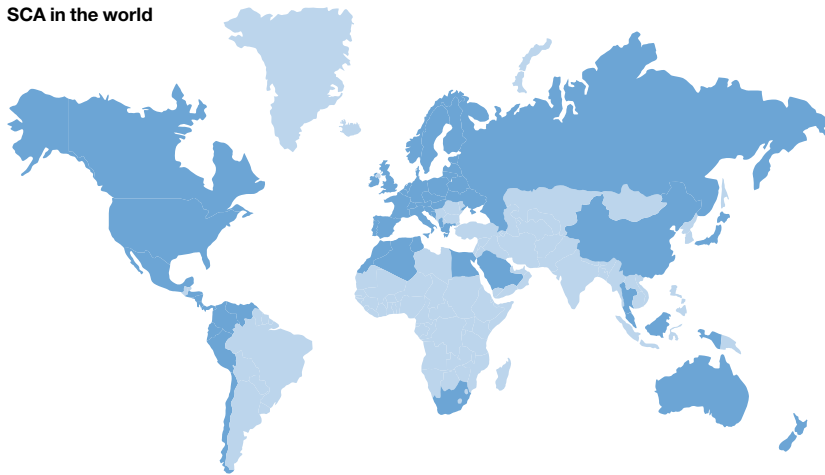
We are here to develop and improve everyday lives.

This is our mission which also contains fantastic opportunities for growth. Millions of people in developing countries are about to experience an enormous improvement in their standard of living. We grow hand-in-hand with this progress and we operate our business with sustainable principles.

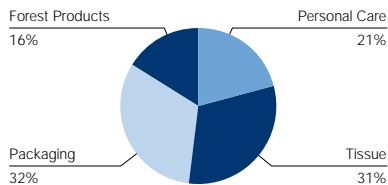
Enjoy reading more about the opportunities we offer!

SCA at a glance

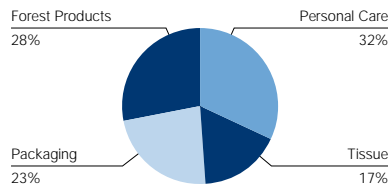
SCA in the world



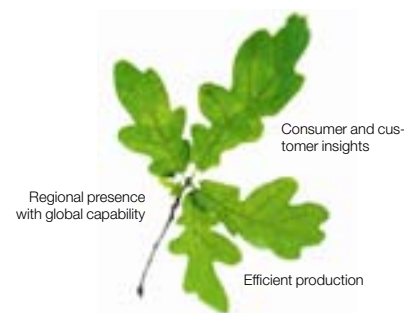
Net sales by business area (excl. intra-Group deliveries)



Operating profit by business area (adjusted for central items)

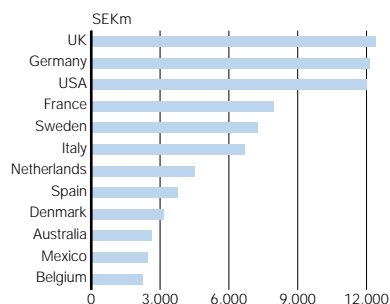


SCA's strategic strengths



Read more about SCA's strategic strengths in the Annual Report.

The Group's largest markets



Although Europe is SCA's main market, sales are increasing rapidly in the growth markets.

SCA is a global consumer goods and paper company. We create value through knowledge of consumers and customers needs, regional presence and efficient production. We develop, produce and market personal care products, tissue, packaging solutions, publication papers and solid-wood products in more than 90 countries.

More than half of our sales volume comprises consumer products where the end-users are individuals and households. Every day our products reach hundreds of millions of people around the world. These products are mainly sold under our own brands, such as TENA, Tork, Edet, Zewa, Libero and Libresse. Sales are increasing rapidly in emerging markets.

Our packaging solutions are primarily used in the transportation of food, industrial products and consumer durables, but are also in the form of point-of-sale packaging for product promotion to the end-consumer in the store. In our Forest Products business area, high-quality publication papers for newspapers and magazines are among our most important products.

SCA's own timber supply is a vital component in the Group's raw material flow and helps form a strong link between the different product segments.

CEO's message



Jan Åström **Sustainability gaining importance as competitive tool**

As the CEO of SCA, it is important for me to have a broad perspective of our operations in relation to business conditions and our future. The modern market economy is the engine that has driven recent improvements in quality of life at a previously unheard of speed. It is important to see this development from a number of perspectives in order to have a thorough understanding and make sound business and sustainability decisions.

Consumer pressure and the demands of the market economy require that we produce and sell our products while taking into account long-term sustainability. This is why SCA's sustainability programs are integrated into our business model. Our sustainability initiatives, imple-

mented along business lines, are helping us fulfill our long-term business goals.

SCA has had a sustainability policy and a Code of Conduct in place for a number of years. They provide the structure for our management systems for sustainability, which are in line with international best practise. Our systems are continually updated in line with new knowledge. Our commitment to transparency and to openly reporting on methods employed has meant that our performance may easily be "reviewed" in discussions and debates. Our management structure has led to progressive improvements in our performance in terms of environmental impact and attention to ethical and social issues and lead to elevated internal standards and more intensive implementation measures.

SCA is contributing to better quality of life in modern society by manufacturing products that have become a natural part of everyday life. For those of us living in the industrialized part of the world it is difficult to imagine a life without toilet paper or feminine care products; hard to visualize a society without newspapers or the packaging that enables goods to be distributed safely and effectively. Quite simply, SCA's products meet the essential needs of a modern society.

We have 51,000 employees and over 350 production facilities around the world, which means that SCA has an important responsibility to promote sustainable development. We therefore set high standards for our environmental initiatives, our resource consumption

and in creating safe and healthy working environments for our employees. We have also been working for several years in a structured way to ensure that all of our operations live up to the SCA Code of Conduct.

In order to live up to our own expectations and those of our stakeholders, we need to work constantly and resolutely in a number of areas.

Examples from SCA's day-do-day work

A poorly functioning electricity market has driven up prices dramatically over the past few years, which has had a major impact on SCA's profitability. As a business, we have a responsibility to both our shareholders and our employees to take action to create the best possible conditions in which our company can operate. On the issue of electricity costs, we are dealing with this responsibility in two ways. Firstly, we are participating in the energy policy debate and arguing in favour of measures to promote reasonable and predictable electricity prices. We are also promoting the case for energy production not based on fossil fuels, but instead on long-term sustainable alternatives. Secondly, we are investing heavily in ways to generate our own electricity and in energy efficiency techniques to increase our level of self-sufficiency. One example of this is the new soda recovery boiler at the Östrand pulp mill that went into operation in October 2006. This new installation generates 500 GWh of green electricity per year making the mill self-sufficient in both electricity and heating, while significantly reducing emissions to air. We have also joined other Swedish industrial enterprises in investing in wind power and we are helping to create a sustainable supply of energy by producing considerable amounts of biofuel. In 2006 we also began working together with an external partner to build a new power plant in Witzenhausen in Germany. When this plant is operational in 2009 it will make our mill self-sufficient in electricity, while providing a solution for much of the region's waste management needs.

The health and safety of our employees is something we work with on a daily basis. By constantly gathering and analyzing relevant data, we can always find ways of refining our safety measures, also within operations that have already achieved significant improvements. One initiative from 2006 that I would like to highlight are the improvements being made at our facilities in China. Following an initial review of our operations there in 2005, a number of measures have been implemented, and a follow-up at the end of 2006 revealed that standards had been raised, not only in terms of environmental performance and occupational safety, but also in the general structure and efficiency of the factories. These improvements have not only resulted in positive internal developments but the operations in China have also been able to attract new, more demanding customers.

Driving forces and goals

There are a number of forces driving our sustainability efforts. Political decisions and national and international legislation are driving the development towards a sustainable society. Opinion makers are focusing in on key issues and public procurement processes today are often associated with environmental requirements. Increasingly, companies are being required to report on their sustainability programs. At SCA we are constantly raising the standards for our own sustainability efforts and those of our suppliers. We are focusing on areas in which we have the greatest potential to positively impact developments and we are currently working with four long-term goals:

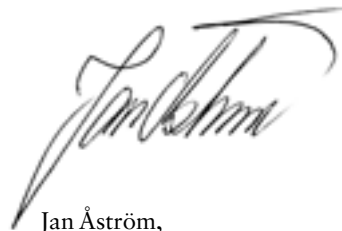
- During the period 2005 – 2010 water consumption will be reduced by 15 % and the organic content of effluent water by 30 %
- We will continue to reduce carbon dioxide emissions from fossil fuels in relation to production levels
- We will continue to apply methods to ensure that no materials made from fresh fibre and used in production come from controversial sources

- We will continue working to integrate our Code of Conduct requirements into existing supplier performance management systems, conduct assessments of Human Rights and compliance with SCA's Code of Conduct in selected high risk countries and develop a corporate Group-wide HIV/AIDS policy and associated procedures/guidelines.

Outlook

Market economies and globalisation are bringing about rapid changes in the world. More countries in the years ahead will make great strides in their development. For SCA, this trend provides significant opportunities for us to expand our operations, and we are well positioned to do just that. At the same time, we will be required to focus more on long-term sustainable development. Continuing our long-term work with sustainability issues is therefore essential, not only for ethical reasons, but from a strictly commercial perspective as well.

Consequently, our sustainability work in 2007 will continue with the same intensity as in the past with dual goals: to contribute to a somewhat better world while further improving SCA's long-term competitiveness.



Jan Åström,
President and CEO



A natural strategy

Continuous dialogue

SCA conducts an ongoing dialogue with a host of different stakeholder groups – stock market analysts, environmental interest groups, international standards organizations, and academia, to mention but a few. This knowledge exchange process is valuable for SCA and contributes to SCA's success in its sustainable development activities.

Another component of this dialogue is SCA's sustainability reporting, which provides information about focus areas and the results achieved over the past year, while taking into consideration the information requirements of the various stakeholder groups. Our ambition is to ensure that our reports are based, as far as possible, on the Global Reporting Initiative (GRI) principles. However, our key indicators, while similar, are not identical to those recommended by GRI, as ours have been specially developed to help us manage these issues internally.

A strategy for sustainable development

Essentially, the concept of sustainable development is simple and self-evident. We are all dependent on the environment we live in, a good water supply and the air we breathe and are all affected by climate change. All of us expect to have access to functional and safe products in our everyday lives, at home and at work. We have the right to a safe work environment and opportunities to develop as individuals. And we all – individuals as well as companies and organizations – have the opportunity to help build a sustainable future.

SCA's products are used daily in homes and workplaces worldwide. With production sites on every continent and large areas of forest to manage and care for, SCA's activities impact both the environment and the lives of people in a variety of ways. It is thus necessary for us to manage our business in accordance with sustainable principles. Since 2002, SCA has a Sustainability Policy, which takes into account the environmental, economic and social impacts of our business. As part of the Sustainability Policy – SCA is committed to open and transparent reporting in these areas.

SCA long-term commitments

SCA exists for the purpose of creating value for the company's shareholders, increasing the standard of living and quality of life of its employees and otherwise contributing to the economic, environmental, and social wellbeing of customers, suppliers, and the nations in which the company transacts business.

SCA places strong emphasis on the renewability and recyclability of the raw materials it uses and strives to offer environmentally sound products and services, capable of continuously meeting customers' and consumers' needs with respect to functionality, economy, safety and environmental impact.

Sustainability policy

- SCA shall conduct its activities in accordance with the highest standards of corporate best practice and in full compliance with all applicable regulatory requirements. SCA is committed to the sustainable development of its business, taking all economic, environmental and social issues into consideration.

- SCA is committed to transparency and open communication about its environmental and social practices. It seeks dialogue with its stakeholders in order to contribute to the development of global best practise. SCA demands the same commitment to transparency and open communication from its suppliers and subcontractors.
- SCA assesses the environmental impact of its products during the various stages of their lifespan, and includes suppliers and subcontractors in this process.
- SCA promotes appropriate, recognized environmental management systems throughout its organization. SCA continuously reviews and challenges its objectives and targets, in order to reduce its global impact on the environment.
- SCA aims to provide a safe and non-discriminatory working environment for its employees. All units must, as a minimum, strictly abide by national laws and/or collective agreements. SCA actively strives for the continuous improvement of health and safety in the workplace.

SCA's sustainability policy provides the framework for our group-level commitment. To achieve local relevance and participation, responsibility for the establishment of detailed environmental and social objectives and practical implementation rests with the individual Business Groups.



Code of Conduct

SCA's Code of Conduct is based on our core values – respect, excellence and responsibility – and constitutes the cornerstone of our commitment to managing our business activities in accordance with ethical principles and applicable legislation and regulations. The Code, while not exhaustive, provides guidelines for SCA and its employees regarding health and safety issues, human rights (including child and forced labour), business practises, employee relations, data privacy and procedures for reporting code violations.

SCA today operates in over 50 countries and this globalization exposes us to cultural and social environments that in many ways may differ from those with which we are familiar. It also exposes us to a number of ethical challenges around issues such as labor rights, human rights and bribery and corruption. This makes it more important than ever to ensure that business is conducted in accordance with the principles and values outlined in the Code of Conduct.

The SCA Code of Conduct comprises the following areas:

- Health and Safety. National and international legislation always constitute the minimum requirements for our activities. In most cases, SCA's own policy exceeds the requirements of local legislation.
- Employee Relations: SCA strives to foster a non-discriminatory company culture in which all employees are treated fairly and without discrimination.

- **Business Practice:** SCA seeks to compete fairly when pricing its products and services and rejects all forms of corrupt business practice. Our face-to-face and online Code of Conduct training support this commitment and we have an e-mail hotline for our employees to raise any concerns about violations.
- **Respect for Human Rights:** SCA works actively to ensure compliance with our human rights policy in all of the company's businesses, through for instance conducting evaluations at SCA's factories in countries that are deemed to be particularly sensitive.
- **Community Relations:** SCA contributes both directly and indirectly to the societies in which we operate. Our products are used by millions of people on a daily basis and our organization employs over 51,000 people. SCA strives to engage actively in the communities where we operate.
- **Communication and Privacy of Data:** While taking into account the bounds of commercial confidentiality, SCA seeks to ensure open communication and respects the individual's right to privacy of data.
- **Applicability:** The Code of Conduct applies to all employees, managers and representatives of SCA and is applicable in all countries in which SCA operates.

Our Code of Conduct is crucial to our business. To ensure that the Code is an empowering factor in helping to strengthen our company culture and long-term sustainability goals, SCA conducts a number of supporting activities, training and monitoring programs in our Business Groups.

Employees are encouraged to report ethical concerns or suspected violations of the Code of Conduct to their line manager or human resources department. In 2005 a formal procedure for reporting suspected violations of the Code of Conduct was developed and introduced. The system includes an e-mail service that allows employees to report suspected violations from the Code of Conduct directly to Group Human Resources staff. During 2006, 12 suspected violations of the Code of Conduct were reported. All were thoroughly investigated. One reported case is currently under investigation. In two reported cases in our Asia Pacific operations, the investigation led to the dismissal of 9 employees at one facility and 4 employees at another. The remaining 9 reports lead to disciplinary action against 3 employees and the dismissal of a further 7 employees.

The full text of the Code of Conduct is available at www.sca.com.

Our commitments for the future

SCA's environmental and social objectives serve as guidelines from Group management for the rest of the organization. Although the Group's overall objectives are focused on a limited number of key areas, they still reflect the common goal of Group management and the business areas to promote sustainable development.

SCA is constantly increasing its ambition level with respect to its sustainability initiatives; developing new recycling methods, formulating new guidelines and refining analysis tools and reporting systems. To maintain a clear focus on those areas where SCA has the greatest opportunity to make a difference, the Group has formulated four long-term goals:

1. 2005-2010: specific water consumption will be cut by 15% and the specific organic content of effluent water by 30%
2. SCA will continue its efforts to reduce fossil fuel carbon dioxide emissions in relation to production levels
3. SCA will continue to employ methods to ensure that no materials made from fresh fibre and used in production come from controversial sources
4. With regards to the SCA Code of Conduct, we will:
 - a. Integrate the SCA Code of Conduct requirements into our existing supplier performance management systems.
 - b. Conduct assessments of Human Rights and compliance with SCA's Code of Conduct in selected countries.
 - c. Assess compliance with the Code of Conduct and identify areas where action is required.
 - d. Develop a corporate Group-wide HIV/AIDS policy and associated procedures/guidelines.



Goal 1: Improved water consumption

Targets

From 2005 to 2010 specific water consumption will be cut by 15% and specific organic content by 30%. This target applies to the SCA pulp and paper mills for the 2005–2010 period (reference year 2005).

Outcome 2006

	2005	2006	+/- %
Specific water consumption	0.0345	0.0329	-4.7
Specific organic content (BOD)	1.115	1.036	-7.1

Goal 2: Reduced emissions of carbon dioxide

Targets

Reduced emissions from fossil fuels in relation to production levels. This target applies to SCA pulp and paper mills (using the previous year as a reference year).

Outcome 2006

	2005	2006	+/- %
Emissions from fossil fuels in relation to production levels	0.370	0.355	-4.1

Goal 1: Improved water consumption

SCA's production processes require large amounts of water. In the manufacture of paper, corrugated board and tissue, water is the medium in which paper fibre is transported at the beginning of the production process.

Water supply is already a major problem for many countries, and clean water will become an increasingly valuable resource over the coming decades. SCA is therefore working intensively to optimize its water consumption and further enhance the efficiency of our water purification plants at all production sites.

Not only do the treatment plants help to purify the water, the sludge residue yielded in the purification process is used to produce green energy through incineration and/or biogas production. The wise use of existing resources is a common theme in SCA's environmental programmes.

Goal 2: Reduced emissions of carbon dioxide

SCA's production processes require large amounts of energy and energy costs constitute 7% of total sales. In 2002 SCA therefore initiated a Group-wide energy saving programme called ESAVE to reduce SCA's energy consumption and costs as well as the impact on the environment. The programme comprises numerous small-scale projects, the aggregate effect of which is significant improvements. Since 2002 ESAVE has reduced SCA's fuel consumption by 500 GWh, cut carbon dioxides by 40,000 tonnes and reduced electricity consumption by 400 GWh.

SCA also uses industrial residues to generate green electricity through local co-generation. In Sweden SCA produced 550 GWh that resulted in 550,000 green certificates. The company is also a major supplier of forest biofuels.

Goal 3: Responsible use of wood raw material

SCA uses two types of wood fibre in production: fresh fibre, primarily from SCA's own expansive forests in the north of Sweden, but also from forests owned by others in Sweden, Austria, Germany and other countries nearby, and recycled fibre from recycled paper. SCA's aspiration is to use recovered paper in production to the greatest extent possible and to advocate responsible forest management in both our own land and that of our suppliers.

SCA has for many years been a driving force in the development of production methods based on the use of recycled fibre and has developed new methods enabling the use of recycled fibre as raw material. The company has also established SCA Recycling to collect and distribute recycled fibre. The fibre collected is delivered to the Group's European packaging and tissue mills and meets about 60% of their total requirements.

SCA's fresh fibre comes both from the Group's own forests and those of its suppliers. SCA has been working to promote responsible forestry for many years and was certified by the Forest Stewardship Council (FSC) in 1999, confirming that the company's forestry activities are carried out according to stringent standards. SCA has also adopted a policy which ensures that none of the material supplied to the company that is based on fresh fibre come from controversial sources. Thanks to the FSC certification of the company's forestry activities, SCA is the world's leading supplier of FSC-certified products.

SCA buys large quantities of material made from fresh fibre, primarily paper pulp and packaging paper, kraftliner and semi-chemical fluting. SCA requires its suppliers to demonstrate how they ensure compliance with the company's requirement that none of the raw material for these products comes from controversial sources. Timber from controversial sources is defined as:

- illegally logged timber,
- timber from forests with a high conservation value,
- timber from areas where human rights or the rights of the indigenous population are violated.

Goal 4: SCA Code of Conduct Compliance

As a result of our commitment to world-class standards of business integrity, the challenge for SCA businesses worldwide is to ensure that the Code of Conduct is reflected in all actions at the local level. SCA is involved in ongoing efforts to embed its Code of Conduct into day-to-day business operations, to evaluate human rights compliance within its operations and to develop mechanisms to ensure Code of Conduct compliance in its supply chain.

We recognise the seriousness of the HIV/AIDS epidemic and its potentially devastating impact on the workplace, the livelihoods of our employees and those who depend on them. In line with our Code of Conduct and our Health and Safety Policy, we are committed to provide our employees with non-discriminatory and safe workplaces.

Goal 3: Responsible use of wood raw material

Targets

SCA will continue to employ methods to ensure that no materials based on fresh fibres used in production come from controversial sources.

Outcome 2006

All business groups have acquired information from their suppliers of fresh fibre based products on how they operate in order to meet SCA's requirements. The overview does not include temporary suppliers of smaller volumes. Based on the evaluations that have been carried out, the number of suppliers has been reduced. On-site audits have been carried out by most business groups. All SCA wood consuming units are third party audited to ensure compliance.

Goal 4: With regards to the SCA Code of Conduct, we will:

Targets 2007

- a. Continue to integrate SCA Code of Conduct requirements into existing supplier performance management systems.
- b. Continue our assessments of human rights standards and compliance with SCA's Code of Conduct in a selection of seven to nine countries.
- c. Assess compliance with the Code of Conduct and identify areas where action is required.
- d. Develop a corporate Group-wide HIV/AIDS policy and associated procedures/guidelines.

Outcome 2006

- a. During 2006 the program has focussed on defining how ethical sourcing will be managed internally, establishing responsibilities, allocating resources and initiation of an internal communication process to our procurement teams who are responsible for implementation so as to empower and equip them to own this issue.
- b. In-depth human rights assessments undertaken at 12 sample factories in 6 high-risk countries. Two violations of the SCA Code of Conduct were identified.
- c. During 2006, 12 suspected violations of the Code of Conduct were reported. All were thoroughly investigated. One reported case is currently under investigation. In two reported cases in our Asia Pacific operations, the investigation lead to the dismissal of 9 employees at one facility and 4 employees at another. The remaining 9 reports lead to disciplinary action against 3 employees and the dismissal of a further 7 employees.

Driving forces, trends and underlying principles

As the demands on global resources increase, pressures mount on manufacturers to continuously improve their businesses in line with sustainable principles and production methods. Over the past two decades, the concept of sustainability has moved from the periphery of business focus to the top of the agenda for shareholders, customers and other stakeholders.

Opinion-shapers – individuals as well as organizations – are drawing attention to the key issues and political decisions and legislation at the national and international level are contributing to the change. Sustainable development has grown from a movement focussed primarily on environmental concerns to a widely recognised framework that attempts to balance economic, social and environmental concerns in decision-making and action. Environmental requirements are now a de facto feature of public procurements. Companies are under increasing pressure to openly account for their environmental impact and sustainability activities, and such considerations are starting to have an impact on the financial valuation of companies.

SCA's wide-ranging, long-term sustainability work is thus driven by both an enduring commitment to the promotion of sustainable development and by the commercial motive of increased profitability as a result.

Our sustainability activities are aimed at

- continuously improving the way in which we impact the environment and society
- creating a positive and competitive image of SCA

- creating the conditions that enable us to be an attractive employer with the ability to attract, develop and retain professional and highly skilled employees
- reducing our operational expenses, for instance by reducing energy and water consumption

Supply Chain - a unique ability to make a difference

Two factors ensure that SCA has a unique ability to control and minimize the environmental impact of its products. The first is that a significant proportion of our production, from raw material to finished product, is undertaken at our own production facilities. For many of our products SCA is thus able to control the entire chain, from responsible forest management and environmentally sound production methods to the collection and recycling of paper. Secondly, SCA is a company of significant size, and this enables us to require appropriate standards of environmental performance and social responsibility from our suppliers.

SCA's business is continuously changing and growing and we are expanding into new commercial areas and new and in some cases higher risk countries. Our supply chain is becoming more complex with hundreds of suppliers worldwide. Through our supply chain assurance project we seek to ensure that the conditions in our supply chain comply with the requirements of our Code of Conduct. Work has been underway since 2005 to integrate SCA's Code of Conduct into all our purchasing activities and existing systems for evaluating and auditing existing and potential suppliers across the Group. As with all our CSR programs, we believe that accountability for deliver-

ing on our goals should rest with line management and the day-to-day responsibilities in this area should lie within the procurement teams. During 2006, our internal program has been focussed on defining internally how ethical sourcing will be managed, establishing responsibilities, and allocating resources. A vital component during 2006 has been the introduction of an internal communication process to our procurement teams.

Joint ventures

Since the late 1970s, SCA has established joint ventures with a number of companies located in non-European markets. The main rationale behind these partnerships is that they provide an efficient way to establish SCA in new markets.

In a typical joint venture, SCA is responsible for product development and technology, while our local partner contributes expert knowledge about the local market. A joint venture is generally based on 50/50 ownership and consensus decision-making at board level. Choosing the right partner is a rigorous process that focuses on areas such as financial stability, long-term business focus and a willingness to operate a business in a manner that is consistent with SCA's values and business practices.

A minimum requirement for SCA's joint ventures is that they abide by applicable laws and local regulations. In reality they generally maintain considerably higher standards than this, and the employment terms are almost always better than those offered by other companies in the region. Not only are SCA's joint ventures very attractive employers, they are also able to meet the high expectations of customers.



Health and safety

The health and safety of SCA's employees is of utmost importance to the company and an essential aspect of being an attractive employer. Our initiatives to create safe and healthy work environments are based on national legislation and international standards, and on the company's own health and safety policy, which in most cases exceeds the requirements defined by national legislation. The policy emphasizes SCA's legal responsibility; the cost of poor health and safety and the relationship between good health and safety and employee motivation, productivity and collaboration, which are crucial success factors for the company. The policy also outlines SCA's responsibility towards its employees, their families and the societies in which we operate.

In addition to the Group directives and guidelines, there are also many initiatives at the regional and local levels.

Safety results

SCA continues its efforts to foster an improved safety culture. 50 SCA operations experienced no accidents or injuries in 2006. Our safety programmes are focussed primarily on preventive mea-

asures such as analysing "near misses" and expanding internal safety inspections.

SCA continuously measures, reports, and publishes data on the following key performance indicators (KPIs) for all operations:

- Number of Lost Time Accidents (LTA)
- Number of Days Lost (DLA)
- Accident Severity Rate (ASR)
- Incidence Rate (IR) per 100 employees
- Frequency Rate (FR) (accidents per million worked hours)

Detailed Group-wide safety performance data for 2004 - 2006 are presented in the table below.

Our continuous improvement initiatives are based on thorough risk analyses and consist of ambitious preventive measures. Incidents and accidents resulting in absence from work are thoroughly analysed so that concrete steps can be taken to eradicate the cause of such accidents or incidents.

The number of Lost Time Accidents (LTAs) declined across the SCA Group during 2006, as did the Incident

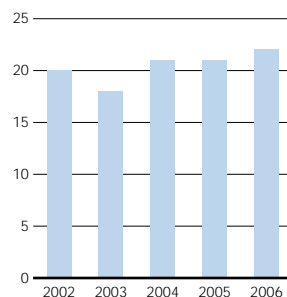
Rate(IR). Over the last five years IR has fallen by 20%, which is a significant improvement. SCA's ASR increased during 2006, while the relative number of accidents is showing a tendency to decline. In 2006, FR ranged from five to 15 across our business groups, with an average of ten for the Group as a whole.

Tragically, a contracted employee lost his life at work in 2006. A fatal accident occurred at the plant in Guangzhou, China, when a contracted employee died after a wall collapsed. A full investigation was carried out. The investigation did not point to a need for new systems, but rather a need for greater efforts to change attitudes. Another key concern is ensuring that the existing systems are adhered to and understood by all employees and that new information is communicated throughout the organization.

Incident Rate (IR)



Accident Severity Rate (ASR)



Safety Summary

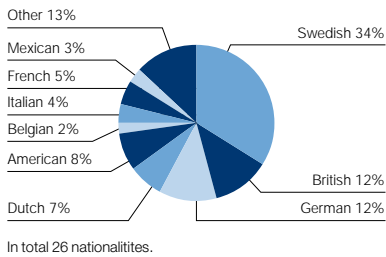
	2004	2005	2006
Lost Time Accidents (LTA)	822	915	762
Days lost (DLA)	17,552	18,969	17,024
Accident Severity Rate (ASR)	21	21	22
Incident Rate per 100 employees (IR)	1.94	2.03	1.75
Frequency Rate (FR)	11.3	11.7	9.8



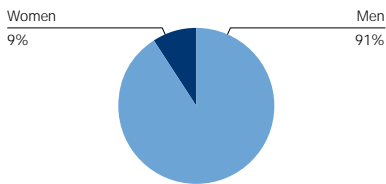
Fredrik Johansson



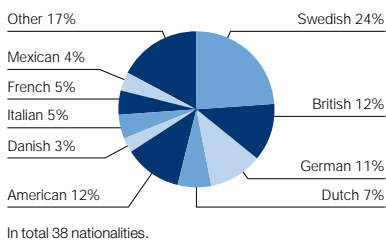
**SCA's Top Management Diversity Survey
Top 300 Managers 2006**



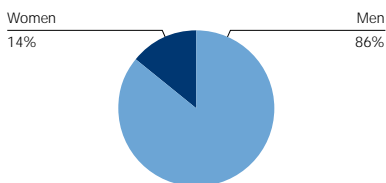
SCA's Gender Top 300 Managers 2006



**SCA's Top Management Diversity Survey
Top 1,000 Managers**



SCA's Gender Top 1,000 Managers 2006



Employees

During the year, the average number of employees in the Group was 51,022 compared to 51,902 in 2005. In 2006, approximately 25(25)% of SCA employees were female. There were significant regional differences, with women representing about 22(22)%, 28(27)% and 35(39)% of full-time employees in Europe, the Americas and Asia Pacific, respectively. The 2006 employee age distribution statistics are presented in the diagram on page 15. In 2006, the youngest employees were 15 years of age and worked as apprentices, administrative trainees or in summer jobs in Sweden, Germany and Austria. The percentage of SCA employees with academic degrees or similar during 2006 was 13%. This percentage has been steadily increasing over the past 5 years as shown in the diagram on page 15.

Employee relations

A company of SCA's size is constantly adapting to respond to changes in the external environment. These changes cover a number of different areas: the development of new products, changes in marketing, establishment and expansion in new markets and changes in production structures. In all cases the relationship between the company and its employees is a crucial success factor. SCA therefore has a very clear-cut approach: the Group's relations with its employees must be based on the company's fundamental values, as outlined in the Code of Conduct, and on local legislation and collective agreements.

Diversity, development and dialogue

SCA's objective is to ensure that all employees are treated fairly and with respect and given possibilities to develop

their abilities and talents and thereby contribute to the success of the company. To create a dynamic organization with a broad range of expertise, SCA also strives to develop the organization to embrace greater diversity. There must be no discrimination, harassment or threats under any circumstances, and employment and promotion must be based on the qualifications of the employee.

To obtain a picture of the current situation, SCA has been conducting an annual diversity survey of the company's 1,000 and 300 top managers since 2003. In 2006, among the top 1,000 managers, 38 nationalities were represented (34) and the ratio of women to men was 14% women, 86% men (12%, 88%). Among the top 300 managers, 26 nationalities were represented (25) and the ratio of women to men was 9% women, 91% men (10%, 90%). Every year SCA invests significantly in various forms of employee development. Each SCA Business Group has training and development programmes based on the group's specific requirements. In 2006, the total cost of training and development programmes was SEK 165 (170)m. This figure refers only to external costs incurred and does not include any internal costs. The actual investment is therefore significantly higher.

SCA recognizes each employee's right to decide whether to join a trade union organization or not. Through regular meetings, SCA is able to maintain an ongoing dialogue with employee representatives. Agenda items include the Group's progress, profits and other key issues. In 2006, more than 70% of SCA's 51,022 employees were covered by collective bargaining agreements. In April 2004, SCA signed a global frame-

work agreement with ICEM (International Federation of Chemical, Energy, Mine and General Workers' Unions, which represents more than 20 million members worldwide), the Swedish Paper Workers Union (which in this context represents all Swedish trade unions) and SCA's European Works Council. The agreement is based in part on SCA's Code of Conduct and is aimed at promoting cooperation and social responsibility throughout the Group. The framework agreement is reviewed each year by the parties involved. The 2006 review concluded that no violations of the agreement had occurred.

An open, transparent and constructive dialogue with the employees and their representatives is valuable, especially in connection with restructuring and reorganization measures when both the company's and employees' requirements need to be addressed. SCA therefore works actively to ensure that employees are provided with the best possible support when changes are implemented. Since 2004, SCA has closed several facilities and in all cases, extensive measures were introduced to help employees find new jobs.

Human rights

SCA fully supports the principles expressed in the UN Declaration of Human Rights. We are committed, in accordance with our Code of Conduct, to supporting and respecting the protection of human rights within our sphere of interest. One of the challenges faced by SCA as a company is to ensure that our Code of Conduct is reflected in all parts of our global operations, i.e. also in those parts of the world where respect for human rights is limited, corrupt business practices are common, there is a

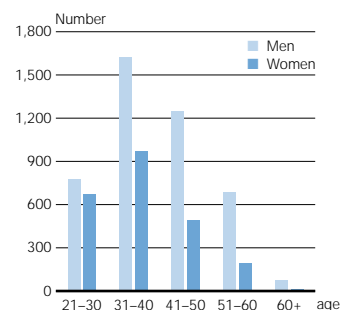
lack of relevant legislation and irregularities occur in the administration of justice.

During 2005, a Human Rights Country Risk Framework was developed to enable the identification of countries with significant social and ethical risks based on criteria including, the country's political situation, the human rights record, level of corruption and degree of integration into the international community. The risk framework encompassed all countries where SCA has fully owned operations and revealed that many SCA operations are located in countries where the local business environment is fraught with risks from a SCA Code of Conduct perspective.

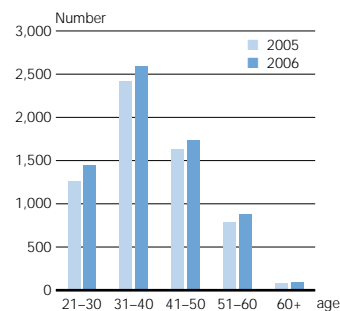
In Phase 1 of the Human Rights Assessment project, in-depth assessments were undertaken at sample factories in 6 high-risk countries to determine whether in fact their location in risk-filled business environments could result in situations of conflict with the SCA Code of Conduct. The in-depth Human Rights Assessments encompassed the areas of Code of Conduct implementation, conditions of employment, salaries and wages and benefits (pensions, medical insurance etc.), industrial relations, business practice, community involvement and health and safety procedures and practice. The assessments are based upon personal interviews and collected quantitative and qualitative data. They aim to determine whether policies/guidelines are in place to support the Code of Conduct and address specific local risk areas, whether adequate and appropriate procedures are in place to ensure compliance with these policies and to verify compliance against the Code of Conduct.

The results of the assessments are presented in a summary report sent to

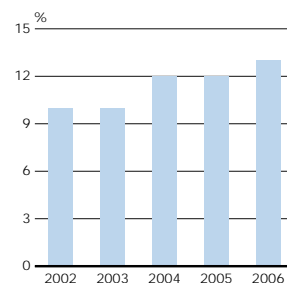
Employees with Academic Degree or Similar 2006



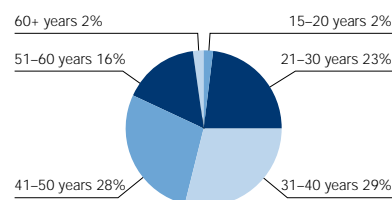
Employees with Academic Degree or Similar, 2005/2006 Comparison



Percentage of Employees with Academic Degree or Similar 2002-2006



Employee Age Distribution SCA Group 2006



local and Business Group management. These reports outline the team's overall impressions of the current status in various areas related to the SCA Code of Conduct and identify areas of strength as well as areas of potential conflict with the SCA Code of Conduct. They also include suggestions and recommendations to achieve compliance with the SCA Code of Conduct. The SCA sites develop an action plan to achieve full compliance.

Assessments of two factories were undertaken in Russia during 2005. No areas of non-compliance with the Code of Conduct were identified; however, potential areas for improvement were communicated to local management. Action plans were developed and work undertaken during 2006 towards improvements.

Sample factories in China, Colombia, Malaysia, Mexico and Poland were assessed during 2006. Two violations of the SCA Code of Conduct were identified during these assessments. In Mexico it is common local practice for employers to carry out pre-employment pregnancy testing. While not clearly illegal under Mexican law, this practice is not supported by SCA's Code of Conduct. Pre-employment pregnancy testing no longer occurs at SCA operations in Mexico. In Malaysia, a breach in terms of acceptable conditions of employment for SCA employees was identified. At the time of publication of this report an action plan is being developed together with local management to rectify the situation.

While areas of potential improvement were identified at a few of the factories, areas of best practice were also identified. Learning/information from the findings of the first phase of assess-

ments will be shared group-wide during 2007 to increase awareness around these issues and promote greater compliance with the Code of Conduct.

From the results of the assessments conducted to date, it may be concluded that the SCA Code of Conduct is sometimes not sufficiently detailed to provide adequate guidance and support from an ethical perspective to local management in high-risk countries. The experience and outcome of the first phase of assessments has been of value to SCA, and the SCA Sustainability Council has decided that a 2nd phase of assessments will be carried out during 2007.

Business Practise

In recent years our customers have shown a growing interest in our sustainability programs. SCA's activities in promoting environmental and social responsibility is therefore not simply an important ethical issue, but also, along with an increased focus on product safety, a key competitive parameter.

To ensure that SCA is not in violation of prevailing competition law, a Group-wide program is in place to ensure compliance with the prevailing competition rules. Each Business Group annually reports to SCA's Board of Directors detailing the measures implemented. To prevent corruption, fraud and unethical business practices, the Business Groups also work actively with training programmes. Approval by higher-level managers (next level approval policy) is another key instrument helping to maintain high levels of control in this area. SCA's new organization for Internal Audit will assist us in maintaining high standards in these areas. The function, which reports directly to SCA's Board of Directors, was established in 2006 and

consists of 12 individuals representing all SCA Business Groups and geographies.

Chemicals

The use of chemicals is an area where legislation plays a key role. In 2007 the new EU legislation known as REACH (Registration, Evaluation and Authorization of Chemicals) will enter into force. The previous legislation in this area was a patchwork of various rules and directives, with different rules for "existing" and "new" chemicals. The new legislation covers product safety as well as environmental issues and makes producers responsible for demonstrating that chemicals are safe to use. SCA uses process and maintenance chemicals in its manufacturing processes and various types of highly absorbent materials in its products. SCA welcomes the new legislation as a major step towards improving environment and product safety. In 2006, SCA prepared to meet the new REACH requirements by, for example, developing procedures for documenting the procurement and use of chemicals in the company's production processes and products. An important tool in managing this, is SCA's Chemical Management System (SSG chemical webbservice). It is a web-based system that outlines the effects on health and the environment of the various chemicals used. The system currently contains information about 4300 chemicals used by SCA.

Measurement and control of operations

Measuring a business in economic terms is of course a matter for all companies. For SCA it is equally natural to use measurement methods and control instruments in other areas of the business as



well. To this end, the company has developed a number of in-house systems and adopted several international standards.

Resource Management System (RMS)

In the mid-1990s SCA took the first steps towards developing a system that enables the company to monitor its environmental impact and thereby generate data on which to base decisions on future measures. This resulted in the Resource Management System (RMS), a reporting system. The RMS currently covers more than 150 production sites. Newly acquired businesses are integrated into the RMS when they have been part of the Group for one calendar year. Each unit reports the following data to the system:

- raw material consumption
- incoming and outgoing shipments
- production volumes
- energy consumption broken down by hydroelectric power, co-generation

and power from the grid

- fuel consumption broken down by biofuels, fossil fuels and electric boilers
- air emissions, including data on fossil and biogenic carbon dioxide
- water emissions
- solid waste

The data collected is analysed and then used in following up the company's objectives in various areas, making comparisons between production sites and formulating new objectives and activities. The data is reported both internally and externally at the mill level, Business Group level and for the Group as a whole.

Since its introduction, the RMS has evolved into a highly reliable tool and is in many ways the engine in the Group's continued environmental work. The RMS has, among other things, made it possible to follow-up and report the Group's energy consumption, transportation and raw material use.

International standards

SCA complies with several international standards. Some of the most important are: the ISO 14001 environmental management system (with few exceptions, SCA's European mills are ISO 14001-certified), the Forest Stewardship Council, FSC (an international organization that promotes responsible forest management) and the Occupational Health & Safety Assessment Series, OHSAS 18001 (work environment).

Group networks

SCA has established a number of networks responsible for specific issues and for implementing SCA's policy decisions on sustainability. Some of the networks that have been active during 2006 are the Product Safety, Resource Management, Environmental Management, Health & Safety, CSR Implementation and Supply Chain Assurance networks.

Evaluation of SCA's sustainability performance

Honouring our commitments

During 2006, funds investing in companies' with the help of corporate governance, social and environmental performance indicators were estimated to hold more than 5 % of SCA shares.

SCA is rated by many sustainability indices annually. For this report we have asked senior analysts from leading sustainability indices and non-governmental organisations to describe their most recent sustainability ratings of SCA in relation to peer companies.



WWF International

Since 2004, WWF has been assessing the standards of Corporate Responsibility

Reporting by pulp and paper companies operating in Europe. WWF also identifies an "ideal" Corporate Responsibility Report" as the sector benchmark. In the 2006 review SCA was chosen as performing well compared to many of its competitors. Areas of excellence in SCA's reporting include the reporting on chemicals and toxics, policy and targets for water consumption, on emissions to air, water and landfill. WWF also rates SCA as above average for its positive interaction with communities and stakeholders and overall for its comprehensive environmental reporting. Duncan Pollard, from WWF said "SCA has been refreshingly honest in areas such as its responsible fibre sourcing policy. The statements are prudent but their level of detailed reporting on FSC and PEFC certification schemes for example, show a deeper understanding and approach to responsible sourcing than many companies."

WWF produced a separate study on the Tissue sector in 2005. SCA scored best among the 5 largest "tissue giants" in the world. In 2006, SCA managed to improve its score from under 50% in 2005 to 69% in 2006. SCA remains the undisputed leader among the key tissue manufacturers, for the transparency and

clarity of its reporting and is highlighted as the "only tissue giant to provide adequate assurance that they promote forest management of the highest environmental and social standards and actively avoid forest destruction".



INNOVEST rating

INNOVEST Strategic Value Advisors specialize in analyzing companies' performance on environmental, social and strategic governance issues, with a particular focus on their impact on competitiveness, profitability and share price performance. In 2006, SCA again qualified for the "Global 100 Most Sustainable Corporations in the World" list. The "Global 100" are selected from a pool of over 1,800 companies and are deemed to have the best-developed abilities relative to their industry peers, to manage environmental, social and governance risks, and to take advantage of new business opportunities in this area.

The INNOVEST analysts focus on: strategic governance, human capital, environment and stakeholder capital. They also apply a "negative screening" to ensure the company is not involved in tobacco or weapons production etc. In comparison to its peer group of 30 leading companies, SCA is rated above average and occupies a position in the top quartile of the INNOVEST index of paper & forest companies. In 2006, SCA performed very well in all areas, maintaining its rating of 7.3 for "stakeholder capital" to improving its performance on "strategic governance (9.3), human capital (6.6) and environment (8.0)."

Senior analyst Susanna Jacobson said "European forestry companies are above average thanks mainly to the more sophisticated regulatory environment in Europe, and in that SCA has maintained its sector leading approach on all fronts. We see its areas of competitive advantage as:

- A strong sustainability strategy: SCA's leading approach to sustainable forest management (SFM) and product certification puts the company in a very good position.
- An efficient use of resources: SCA's position of largest collector and user of recovered fibre, self-sufficiency in energy consumption onsite as well as its approach to reduction of resource use are exemplary.
- Good labour relations: despite considerable restructuring and outsourcing over the last year, SCA has maintained good relations with the unions, contrary to some of its peers in other countries.

The areas of potential risk that Innovest identifies are:

- The issues in emerging markets, ranging from poor environmental standards and the sourcing of fibre, to human and labor rights, poor health and safety standards or restrictions on collective bargaining.
- The limited emission rate improvement: SCA's emissions to air and water has plateaued or slightly increased over the last 2 years. This indicates a need for further investment in R&D and greater technical innovation. The company needs to maintain its high level of investment in environmental improvement in order to remain one of the sector leaders for environmentally sensitive products".



VIGEO rating

Vigeo is a European supplier of extra-financial analysis and measures companies' performance in the fields of Sustainable Development and Social Responsibility. The Vigeo "Ethibel Excellence Index" comprises the shares of some 280 European, North American and Asia-Pacific companies considered to perform above average in terms of social and environmental sustainability.

In 2006 SCA was selected in the paper and forestry sector for the Excellence Index, with a rating of “*leading performer*” for its human rights policy, active performer status for environment, human resources and business behaviour and average performer in its sector for corporate governance and community involvement. Because of its overall performance, SCA was also selected for the “Pioneer register” of the “Ethibel Excellence Index”.

SCA was highly rated for the fact that 70% of its employees are covered by collective agreements and that the Health & Safety certification (OHSAS 18001) of its units is in progress. However, its restructuring activities can be ill-prepared. Very little is reported about the social dialogue within the company in Asia and South America. More detailed reporting is necessary. Vigeo analysts note that SCA’s engagement on international human resources standards, with assessment of the countries at risk and protection of the union delegates is a good step forward.

Albert Charlier, Senior Analyst commented “SCA’s corporate governance rules are relatively weak for a Scandinavian company, however is nevertheless good to publish the value of the stock options held by top management. SCA’s environmental policy deserves excellent scores, for its quantitative water commitments and sustainable forest management strategy. The reuse of recycled water and performance in COD reduction are impressive though there are some questions about the increase of toxic waste and SO2 emissions. As for recycling, SCA is not only the first European recycler of recovered paper, but also shows a rare capability of reusing the most difficult fractions of its waste, such as sludge. There are also still some questions on sourcing fiber in regions such as South America, but the fact that SCA has started auditing its suppliers is encouraging.”

SCA is considered to be a “high-impact company” in environmental and social terms. The company meets the FTSE4Good environmental, human rights, employee issues and corporate governance criteria for its policies, reporting systems and results. and EIRIS – FTSE4Good analysts rate SCA’s environmental policy, management system and reporting as *Exceptional*. SCA’s latest environmental performance shows significant improvement with respect to discharges to water and waste management; however they consider SCA’s improvements on climate change/energy issues and emissions to air to be *Minor*. The biodiversity policy is considered *Moderate*, while the sustainable timber policy is rated *Good* (55% of SCA’s wood supply is FSC certified).

EIRIS – FTSE4Good considers the policy & procedures for global governance to be *Clear*, and the Code of Conduct and implementation system to be *Advanced*. They also awards SCA a higher rating because the SCA President and CEO is also head of the Group’s Sustainability Council, responsible for environmental and social issues.

SCA is rated as having an *Advanced* overall approach to Human Rights, despite its presence in countries such as Colombia, China and Tunisia. SCA’s policy on human rights, its management systems and dialogue are rated as *Intermediate* and SCA also gets a positive rating for the high percentage of “positive products and services” such as services for environmental technology or health-care products (incontinence). Stakeholder engagement and reporting is rated *Moderate*. SCA’s policy for equal opportunities scores an *Advanced* rating and the analysts say that there is *Clear evidence* of systems for promoting equal opportunity or diversity, of systems for

managing health and safety of systems for managing employee/union relations, training and development and community involvement. According to the analysts SCA only shows *Some evidence* of systems for advancing job creation and job security.



Dow Jones Sustainability Index rating

The Dow Jones Sustainability Indexes (DJSI) are the first global indexes to track the financial performance of leading sustainability-driven companies worldwide. Since 2005, SCA is included in the DJSI’s European subset, the Dow Jones STOXX Sustainability Index.

SCA is rated on its Economic, Environmental and Social performance based on publicly available information only. SCA received an average result (see table below), with its best results for corporate governance, code of conduct and strategy for emerging markets.

Gabriela Grab, Senior analyst at SAM comments: “SCA’s report is comprehensive and there is evidence that SCA has identified the right issues for environmental and social management. The Environmental management system is advanced and the Code of Conduct goes very far, compared to its peer companies. But to be considered “best practice”, SCA needs to be less vague and give quantitative data, for commercial pulp sourcing and its supply chain and operations in emerging markets. For the environmental dimension, the absence of quantitative targets and a timing for the reduction of CO2 emissions does not come out well in our assessment. These gaps in the reporting, following our criteria make it that SCA does not reach the best status for its sector.”



FTSE4Good rating

The FTSE4Good is a market index which measures the performance of companies that meet globally recognised corporate responsibility standards.

Dimension scores

	SCA score	Average sector score	Lowest score DJSI STOXX
Economic dimension	58	52	53
Environmental dimension	74	72	74
Social dimension	65	61	65
Total weighted score	65	60	64

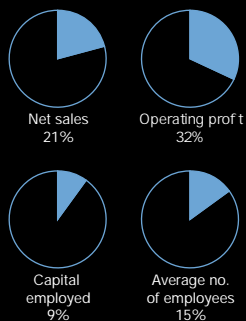
Personal Care

Our products come into direct contact with the body. This is why product safety is a natural and integrated part of our product development.

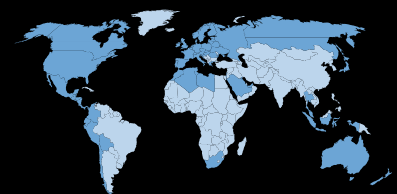
Personal Care

Personal Care comprises three product segments: incontinence care, baby diapers and feminine care. All three segments are driven by innovation and new products are launched continuously. The products are sold both under SCA's own brands and under retailers' brands, and distributed via retailers and health care providers.

Share of the Group



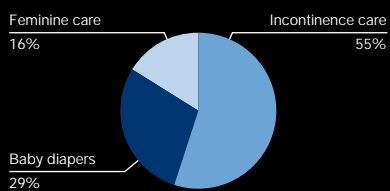
Geographic presence



Sales in some 90 countries in all parts of the world. Production at 18 plants in 16 countries.

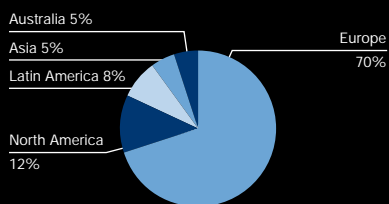


Sales by product segment



Incontinence products account for most of the sales in the Personal Care segment.

Sales by region



SCA is expanding rapidly in Personal Care and holds strong positions in all parts of the world.

Market positions

	Europe	North- America	Global
Incontinence care	1	3	1
Baby diapers	2	-	3
Feminine care	3	-	5



Personal Care Product safety is our primary objective

The last few decades have seen rapid advances in the functionality and comfort offered by our products. New materials and new product designs have made it possible to produce thinner products while improving absorption and leakage protection. A fundamental requirement is that our products must be safe for those who use them, regardless of materials or design. Our product safety programs are therefore an essential, integrated part of our product development activities. By addressing these issues in a systematic way, we have built a successful business.

SCA has for many years had well-developed systems in place for meeting legal and regulatory product safety requirements. We also have the expertise and processes required to meet our customers' high product safety expecta-

tions, both for our own brands and for retailer' brands.

SCA's products come into direct contact with intimate parts of the body. The materials used have therefore been carefully examined to ensure that they are skin-safe. The materials are tested for toxicity, especially with respect to skin irritations and sensitisation (i.e. that they do not cause allergies). The materials used in our absorbent products are selected from low-risk materials, which generally consist of natural or synthetic polymers. Continuous monitoring of consumer reactions has confirmed the high safety level of SCA's products.

Chemicals

A lot of attention is currently being paid to chemicals, partly due to REACH, the EU's new chemicals legislation, which is expected to enter into force on 1 June 2007. Since many of the raw materials

we use are defined as chemical substances, we have made careful preparations to implement REACH.

Personal Care has catalogued the chemicals and materials that we handle in our operations, identified the requirements made under the new legislation and ensured that our suppliers register chemicals and materials for our use. Information and instructions for all interested parties are currently being prepared in order to integrate the REACH requirements into our day-to-day activities.

In 2006 we also developed CHAP (Chemical Assessment Procedure), a new and improved control procedure for our factories that evaluates the chemicals from a work environment, environmental and product safety perspective. Implementation of CHAP was initiated in 2006 and is expected to be completed in 2007.

Life Cycle Assessments (LCA)

Working successfully with sustainability issues requires more than access to the relevant facts – it also requires determination. Access to accurate data also makes it possible to meet requirements with respect to transparent reporting of the products' environmental performance.

Personal Care employs life cycle assessments (LCA) in a consistent and structured manner. An LCA provides a complete picture of a product's environmental impact, with respect to raw materials, production, consumption and waste. The method was introduced in the 1970s and has since been developed and adapted for practical use by large industrial companies, including SCA, in collaboration with the academic world.

A much-publicized life cycle assessment commissioned by the UK Department for Environment, Food and Rural Affairs was conducted in 2005 to compare the environmental performance of disposable diapers and their cloth equivalents. The LCA showed that there is little difference between disposable products and cloth products from an environmental perspective. However, in terms of absorption, comfort and practicality, the disposable products are far superior.

Life cycle assessment results help us to optimize the choice of materials in our products and identify suppliers with improvement potential. LCAs supplement the overall environmental assessment of the company's products. Reliable information about a product's environmental performance is important, not only for our development work, but is required to an increasing extent by our customers in both the public and private sectors. Another key advantage of LCAs

is that they enable us to produce Environmental Product Declarations (EPD) for our products in the future.

EPD's have significant potential to become key tools for communicating the environmental performance of products. Based on a life cycle assessment, an EPD describes the company, product, manufacturing processes, resource consumption and waste as well as the environmental impact of the product, e.g. in terms of global warming. EPDs thus provide objective and verifiable information and are not limited to symbols and requirements that can only be understood in a local context.

Personal Care will therefore seek to promote the use of environmental product declarations and is currently working on producing EPDs for the company's product range in order to be well prepared when EPDs make their international breakthrough.

Incontinence

Incontinence is a problem with many dimensions. The consequences of incontinence for an individual vary in gravity, from slight discomfort to depression and social isolation. However, incontinence is not merely a problem at the individual level. Because of demographic developments, the percentage of older people in the population is set to increase dramatically over the next ten years, which will create entirely new challenges for health care providers.

Incontinence can affect people of all ages and has a variety of causes. In women, incontinence is caused primarily by a weakening of the pelvic floor muscles, generally as a result of pregnancy, neurological damage or disease. In men incontinence is mainly caused by enlargement of the prostate gland, neu-

Focus on Young Employees

One of the many training initiatives in 2006 was the new PUMA programme developed for young employees within SCA who are willing and able to take on a leadership role or work in a specialist area in the future. The programme's goal is to provide the participants with a broad understanding of SCA's corporate culture and operations, at the same time as they are integrated into the SCA network. PUMA, which has 20 participants, will run for one year and integrate training into everyday work processes. During the year, ten days are set aside for project work so that the participants can learn how to develop an idea into a complete marketing plan. The PUMA participants are divided into four groups to work on their projects and the groups compete with each other. In 2006 the winning project concept called "Ready 2 Go" demonstrated how to dispose of used diapers in a smart and easy way.



Attractive Employer

SCA's long-term efforts to create safe and attractive working conditions resulted, among other things, in two awards in 2006. In Denmark SCA Hygiene Products was voted the country's sixth best workplace and placed in the top 100 best workplaces in Europe. In a similar competition, SCA in Drummondville, Canada placed third in the province of Quebec.



rological damage and disease. Incontinence is largely a problem for elderly people, with about 25 % of both men and women over the age of 80 suffering from the condition. Incontinence is also relatively common among women aged 45 to 55 and occurs among men of this age category, but to a much lesser extent.

To be able to make the right decisions for the future, it is vital that Personal Care and our health care customers understand the new requirements and circumstances that current demographic trends will give rise to.

In March 2006, Personal Care arranged *The Aging Barometer*, a global seminar on aging and incontinence which was attended by 170 participants from 24 countries. The participants included experts in various disciplines, health care workers and decision-makers, customers, representatives of patient organizations and media.

“We see it as our responsibility to create awareness of existing solutions that improve the quality of life of those who suffer from incontinence”, Håkan Molin, Vice President Health Care, said. “Our initial evaluation shows that *The Aging Barometer* has achieved this very effectively. At the same time, the seminar has served as an excellent platform for fruitful collaboration with customers and other stakeholders”.

In 2006 Personal Care also implemented activities at the local and regional levels aimed at increasing knowledge about incontinence and breaking the taboos that still exist. An example of this is the symposium arranged for more than 100 people from the health care sector in Japan. Among other things, the symposium emphasized the importance of providing individually adapted continence care for all patients.

A global supplier base – background and challenges

Personal Care runs long-term projects aimed at broadening the supplier base, which is currently located mainly in Europe and North America. In the future the group has ambitions to work with suppliers from other parts of the world. There are several reasons for this change of direction. By broadening the supply base, Personal Care can increase the available options and thereby improve delivery reliability as well as the ability to conduct efficient purchasing activities. Expanding the supplier base will also aid the group in sourcing new types of specialized materials that will enable Personal Care to continue developing new, innovative products.

The choice of materials and suppliers has a major impact on the group’s competitiveness and product safety activi-

ties. Personal Care thus operates according to strict supplier standards. The standards cover three general areas – quality issues, including product safety issues, environmental issues and social responsibility issues – and form the basis for all purchasing activities.

All new suppliers must be evaluated and approved by Personal Care’s central purchasing function to ensure that we work with companies that meet our high standards for product safety and delivery security. Although existing suppliers are audited every two years by the central purchasing function, much of the evaluation process is performed continuously by our factories through the internal, computerized rating system. The system contains all available documentation about suppliers and allows all factories to submit their own supplier evaluations and consult those of others.

This global approach to purchasing will also lead to a change in the concept of supplier risk, placing a much clearer emphasis on issues such as human rights, child labour and corruption than is currently the case. Personal Care will therefore focus heavily on these issues in future purchasing and are currently strengthening our internal resources to enable us to manage this risk and ensure that suppliers meet the requirements outlined in the SCA Code of Conduct.



Opportunities and challenges in new markets

Personal Care sees considerable potential in developing sales in countries that are currently making big leaps in their economic development. In some cases this means we will be operating in countries where business conditions differ from those in our traditional markets.

Bribery and corruption occur to some extent in some countries. Personal Care's position on these issues is very clear: we will not use or become involved in any unethical business methods. We therefore work consistently to eliminate such risks and this work essentially focuses on the following three elements: knowledge about the problems; carefully considered decisions, e.g. when selecting staff and business partners; and ensuring that we always take a clear stand so that our employees and business associates are never in any doubt about our position.

In concrete terms, this means that we exercise extreme care when employing new staff so as to ensure that our new recruits understand and adopt our fundamental values. The same care is exercised when choosing suppliers and other business partners. Tenders and offers must be obtained from several suppliers and, if necessary, compared with corre-

sponding costs in other countries to ensure that strict standards of professionalism are upheld.

We also put considerable effort into identifying various types of risks and developing methods for optimal management of these risks. One example of this is the use of the next level approval policy, i.e. that decisions must be approved by a higher-level manager.

We also arrange regular seminars and workshops to inform employees about the type of problems that they may encounter. At these seminars we conduct open discussions in order to create the greatest possible awareness of the problems associated with unethical business practices and present the company's risk assessments. By devoting considerable energy and resources to this work, we minimize the risk of being drawn into corrupt practices.

UN and SCA in a Slovakian Collaboration

The United Nation's UNDP development programme launched a project in 2006 with the purpose of developing infrastructure and working towards sustainable solutions in the beautiful Domica region in Slovakia. The Domica region – or the village called Germerská Hôrka to be precise – is where SCA's facility for the manufacture of feminine care products is located. As the region's largest industrial enterprise, SCA was asked to take on a leading role in UNDP's project. On 29 September 2006, 150 residents from the region joined representatives from SCA and UNDP to clean up the shores of the Slana River. This pilot project was conducted to kick-start the main project that will focus on creating the necessary conditions to attract people from other regions, develop infrastructure and improve the environment. "The river bank clean-up demonstrated in a very positive way that cooperation leads to results," said local manager Juraj Oravec. "All of the participants also gained a greater respect for the natural environment and learned more about the region's distinguishing features." Following the pilot project a number of other activities are planned to make Domica a region of rapid and sustainable development.

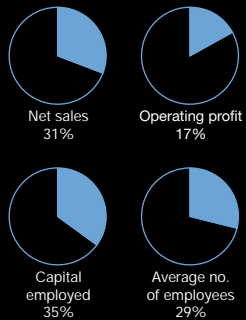




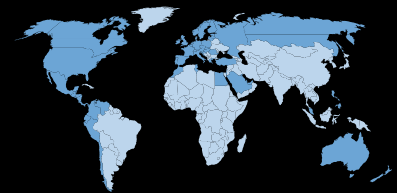
Tissue

Consumer tissue consists of toilet paper, kitchen rolls, handkerchiefs, facial tissue and napkins. The products are sold both under SCA's brands and retailers' brands, and they are distributed via retailers and to corporate customers. In the bulk consumer, Away-From-Home (AFH) product segment, SCA's offering is based on complete hygiene solutions for companies and institutions.

Share of the Group



Geographic presence



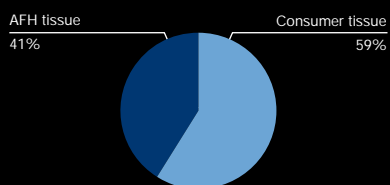
SCA's products are sold in some 70 countries throughout the world. SCA produces tissue at 36 facilities in 19 countries.



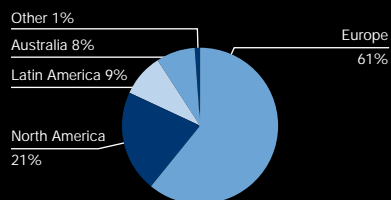
Tissue

Efficient use of energy is a basic prerequisite for reduced environmental impact. We invest in eco-friendly technology and make strict demands on pulp suppliers for wood raw material from non-controversial sources. This is what drives sustainability work in our tissue operations.

Sales by product segment



Sales by region



Market positions

	North America		Global
	Europe	America	
Consumer tissue	1	-	4
Tissue for bulk consumers - AFH	1	3	3

Deliveries (tonnes)

	2005	2006
Consumer tissue	1,077,000	1,121,686
Tissue for bulk consumers - AFH	825,700	836,268



Tissue **Responsible management of raw materials**

One of the SCA Group's overall environmental objectives is to ensure that we do not use fresh fibre based raw material from controversial sources (see the definition on page 9). The reason for our unyielding position in this regard is that controversial logging, e.g. illegal logging, often leads to a loss of biological diversity, involves substandard work conditions and is often conducted without any thought of reforestation or concern for the living conditions of the local population. An effective way of putting an end to these practises is to ensure that there is no demand for wood raw materials from controversial sources.

Tissue has a number of pulp suppliers in South America, one of several regions where illegal logging is known to occur. To ensure that none of our suppliers use raw material from controversial sources, we have introduced a three-stage sup-

plier policy. The first stage is an absolute requirement that pulp suppliers ensure and document that their wood raw material does not come from a controversial source. The next stage in the policy is to require that suppliers can verify that their wood raw material derives from companies with internationally recognized certification for responsible forest management. The third and final stage is to ensure that suppliers can show that their wood raw material has been FSC-certified or certified under an equivalent international standard.

Recycled fibre – now a natural choice of material for our products

In our tissue production we use not only fresh fibre, but also a considerable amount of fibre from recycled paper. Use of recycled fibre has increased dramatically in the last 50 years and is a prerequisite for the rapid growth of produc-

tion of tissue products over the past few decades. Tissue has long been one of the leaders in developing new production technologies, and the average proportion of recycled fibre used in our production processes has gradually increased over the years, reaching 48% in 2006. The manufacture of tissue requires high-quality recycled paper. However, there is a clear tendency to mix different paper qualities in collection systems, which has effectively reduced access to suitable recycled materials for tissue production in Europe. The issue of access to paper that meets these quality requirements is currently limiting SCA's opportunities to expand its production capacity.

Energy

Our production processes require large amounts of energy, and rapid increases in the price of electricity and gas over the past few years have led to significantly higher costs. The rising cost of raw ma-

materials is also energy-related. Increasing demand for biofuels – driven by an ambition to find renewable, non-greenhouse gas-emitting energy sources – is boosting market demand for wood, which, in turn, is increasing the price of pulp. Tissue therefore has two reasons to systematically look for ways of improving energy efficiency: one is environmental, the other financial.

The most effective way to mitigate the consequences of higher energy prices is to improve production efficiency. Tissue has been working systematically for some time to improve energy efficiency. We have invested heavily in green technologies such as co-generation, which reduces both our costs as well as our carbon dioxide emissions. One specific programme that has been conducted with great intensity in 2006 is the ESAVE. Some of the most successful projects within the ESAVE programme in 2006 are: optimization of the vacuum system at the Mannheim mill, optimization of the "felt shower system" at the plant in Le Theil and improved energy efficiency for the three large compressed air systems at the Kostheim mill.

Tissue's efficient use of energy over the past two years has had another positive effect for our business. In 2005, to meet its Kyoto Protocol commitments to reduce carbon dioxide emissions, the EU introduced an emissions trading system. Under this system, companies that exceed their permissible/allocated carbon dioxide quotas are required to buy further emission quotas or in some cases pay fines. SCA's efforts to minimize resource use has in both 2005 and 2006 resulted in a surplus of emission rights of about 10%.

In order to have a Group-wide overview of the system and optimize value,

trading in emission rights is managed centrally within SCA.

Water

Water is one of the world's most important natural resources as well as one of the most sensitive. Industries, societies, agriculture and road traffic all generate emissions to water. In order to better protect our water bodies, the EU has issued a new water directive, which focusses on individual water basin districts, such as a lake or river, and operates on the principle that each water basin district should be managed based on its unique properties. This shifts the focus from emissions from industries and societies to what individual bodies of water can actually tolerate. The practical implementation of the new directive will require monitoring and control mechanisms for each river basin district. As these costs are to be borne by the point sources, i.e. by industries and municipalities, the cost of water is set to increase. The EU also recommends that the price of water be used as a control mechanism to reduce water consumption.

To prepare for the introduction of this legislation, SCA, led by Tissue Europe, has established an internal water network tasked with formulating the Group's water objectives and identifying internal expertise and areas of potential improvement. Through comparisons of water consumption and emissions at different factories, three areas of improvement have been identified:

- reducing total water consumption by recycling process water
- more efficient external purification of process water
- shifting fresh water intake from well water to surface water.

EXAMPLE OF PROJECTS

Energy saving projects

One example of a successful energy initiative is Tissue's work with the ESAVE programme. Each year a workshop is arranged where representatives from all of Europe's tissue mills can exchange experiences and ideas. This structured programme has generated various ESAVE projects that have resulted in combined annual savings of 113 GWh of electricity and 26 GWh of gas at the European tissue mills.

Water Conservation in Flagstaff

The Flagstaff paper mill, which is a part of SCA's tissue operations in North America, won the 2006 Water Reuse Customer of the Year. The award was based on the company's demonstration of environmental stewardship through the implementation of an innovative water conservation project using reclaimed water. The paper manufacturing facility has been Flagstaff's second largest potable water user for many years before being converted to 100% reclaimed water in 2005. The plant, which recycles approximately 66,000 tons of waste paper annually to produce tissue products has reduced its fresh water consumption per ton of paper produced to approximately one third of the industry norm. This conversion effort is now the city's largest water conservation project resulting in a potable water savings of more than 100 million gallons per year. An additional benefit is achieved through the wastewater treatment process. Wastewater from the paper mill is treated by the City of Flagstaff and then sent back to the paper mill fulfilling almost 70% of the mill's reclaimed water demand. This impressive closed loop system is considered an excellent example of an Industrial Conservation Innovation and a water conservation effort that the City of Flagstaff is very proud of.

Open House in Germany and Austria

In September, SCA Tissue Europe's factories in Mannheim (Germany) and Ortmann (Austria) invited employees and their families to an Open Day. 7,000 visitors in Mannheim and 1,500 in Ortmann used this opportunity to take a closer look at the world of tissue and to learn more about recent investments made at these locations.



Training Night

SCA in Mannheim joined other major employers in the Mannheim region in organizing a "Training Night" in September 2006. Around 5,000 potential trainees visited SCA's training centre to get first-hand information on various employment opportunities. SCA's portion of the event was organized by the company's current trainees and included a visit to "MAZ," the new work station for training in which SCA Mannheim has invested EUR 1 million to ensure the company maintains the high standard of training it offers.



385 Million Healthy Steps

In Australia 560 employees of SCA Hygiene Australia took part in the Fitness for Life programme. The employees were challenged to take 10,000 steps every day. When the programme was concluded SCA declared that, although the goal had not been fully reached – the average result was 9,000 steps per participant and day – the programme had still been a big success. All in all, 385 million steps were taken towards a healthier life.

Reducing water consumption is the basis for effective water management. The measures can often be implemented with limited resources, but require in-depth knowledge about the processes involved. Reducing the organic content of effluent water, on the other hand, generally requires larger investments in water purification and other facilities. Reducing water consumption is the primary objective, as this makes it possible to reduce the size and subsequent cost of the treatment facility.

To communicate these issues within Tissue and the SCA Group as a whole, a water seminar was held in Spain in October 2006. At the seminar the SCA water network presented current trends and best practise in water management to representatives from 45 SCA factories.

Recruitment in emerging markets – focus on skills and values

SCA's growth ambitions include expanding into markets where the business climate differs considerably from our traditional markets in Europe and the USA. One major challenge is to recruit employees with the appropriate skills and solid knowledge of local conditions, who also share SCA's fundamental values. The strategy is to ensure, through various measures, that our employees not only have the right expertise, but that they receive the information and support they require in order to perform their tasks in accordance with SCA's ethical principles.

One example of a market where the challenge of recruiting the right candidates is particularly great is Russia. Due to the dynamic growth of most Russian industry sectors in the last few years, competition for skilled candidates is

very intense. It is difficult, for example, to find individuals with a good command of English and there is a shortage of candidates with sales and sales development skills.

Tissue has had its own manufacturing operation in Russia since 1998, when the Svetogorsk plant was acquired. Plans are now in place to expand production operations in Russia with one further plant to meet the growing product demand.

The rapid development of the market and the local conditions put significant pressure on Tissue and on our employees. Tissue has therefore developed a number of training programmes specifically for new employees. The programmes cover a broad range of business and legal issues as well as SCA's internal rules on fair competition and ethical business practises. Employees are informed about the detailed policies and programmes that guide our business activities. To assure the long-term effect of these programmes, we conduct various follow-up courses and continuously communicate SCA's expectations and requirements to employees. In addition to the training programmes that are common for all employees, we also conduct training programmes in specific areas, such as sales and sales management.

By taking a consistent and systematic approach to recruitment and employee development, we are creating the conditions that will allow us to grow rapidly and successfully without sacrificing SCA's fundamental values or business principles.





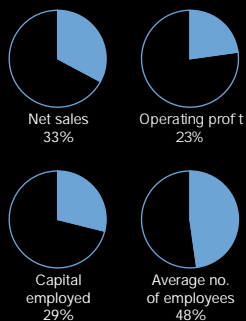
Packaging

With focused investments in innovative energy production and an uncompromising attitude to safety work, we improve productivity and build competitiveness.

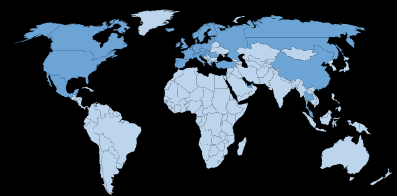
Packaging

SCA is a full-service packaging supplier, offering both transport and consumer packaging. Most of the packaging solutions are used for food, consumer durables and industrial products. The packaging is made primarily of corrugated board but also includes different types of plastic material.

Share of the Group



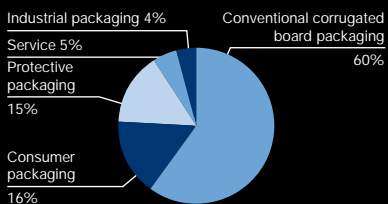
Geographical presence



Sales in some 50 countries in Europe, North America and Asia. Production takes place at more than 300 facilities in some 30 countries.

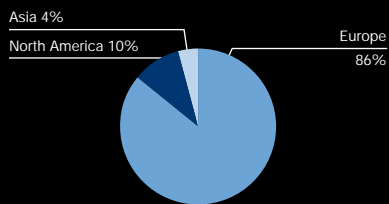


Sales by product segment



Conventional corrugated board packaging accounts for more than half of the sales. The other segments are products and services with a higher value content.

Sales by region



Europe is the biggest region within Packaging. Asia accounts for 4% of sales and is experiencing high growth. In the beginning of 2007, the packaging operation in North America was divested.

Deliveries

	2005	2006
Corrugated board (Mm ²)	4,309	4,391
Kraftliner (ktonnes)	731	738
Testliner/fluting (ktonnes)	1,858	1,666

Containerboard (ktonnes)	2006
Total consumption of containerboard	2,722
Own production	2,364
Net purchases	358



Packaging

Production waste – problem or energy source?

The EU's Directive on the landfill of waste stipulates that the weight of biodegradable substances sent to landfill must be reduced by 65% between 1995 and 2015. Combined with the consequences of the Kyoto Protocol and demands for lower carbon dioxide emissions, this means that waste is increasingly regarded as a potential source of energy. The spike in energy prices over the past few years has also strengthened the economic rationale for using waste as a source of energy.

Packaging has for several years been conducting several projects aimed at reducing the amount of waste that is sent to landfill sites. At our conversion plants (those which produce the finished packaging products) production waste includes discarded printing ink and adhesives. This waste is collected by certified contractors.

Containerboard is produced at seven paper mills. Fibre from recycled paper now accounts for a large portion of the paper raw material used in our corrugated board. Approximately 10% recycled paper also contains non-fibrous materials, including small quantities of plastics and ink as residues of recycling and other inert materials such as kaolin and calcium carbonate.

One example of an economically and environmentally successful way of managing production waste is the project conducted at the De Hoop paper mill in the Netherlands. The project resulted in a facility that converts waste into a commercially viable energy source.

In the new process, production waste from non-combustible materials is cleaned to produce a pulp consisting of plastics and paper fibre. This pulp has a high moisture content, making it unsuitable for incineration and expensive to transport. Using waste heat from the

paper production process, the pulp is dried to a suitable degree of dryness and then sold as fuel to European power stations.

The success at De Hoop has led to a decision by SCA to establish a similar facility at our paper mill in Lucca, Italy. This project was initiated in 2006 and this facility is scheduled to become operational in 2007.

Waste makes Witzenhausen self-sufficient in electricity

Like other electricity-intensive industries, SCA has been hard hit by the sharp increases in electricity prices in recent years. Packaging is therefore introducing a series of measures aimed at further improving energy efficiency, but is also working actively to increase in-house electricity generation. One example of this strategy is the facility in Witzenhausen, Germany. There SCA in cooperation with an external partner is building a power plant that

will burn production waste as well as domestic waste from the region. When it becomes operational in early 2009, it will incinerate 60,000 tonnes of paper waste annually, 15,000 of which is SCA's own production waste, as well as 200,000 tonnes of processed household waste from the region. The new facility will make the Witzhausen plant self-sufficient from an energy perspective, and will result in the decommissioning of the current natural gas fuelled heat and power plant. The new facility will also produce significant surplus electricity, which will be supplied to the local grid.

One of the key benefits of this project is that the plant will become self-sufficient in electricity thus eliminating its exposure to the volatile energy market. Another benefit is that both SCA's production waste and regional household waste will be efficiently and economically disposed off without having to landfill it.

Product safety

For Packaging, product safety is primarily an issue of ensuring that our packaging is safe to use with food. About 5% of our packaging comes into direct contact with food, but as much as 40% of our total sales go to the food and beverage industry. Product safety is therefore crucial to our business.

Developments in product safety are driven externally by legislation, customer requirements and very significantly by Packaging's work with other packaging companies through industry organizations. Current food safety laws stipulate that packaging must be traceable and meet exacting hygiene standards, and that production must be conducted in accordance with Good Manufacturing Practice (GMP).

Our customers have high expectations with respect to product safety and, in particular, the provision of product safety information. Packaging has therefore produced relevant information material on the safety of its products.

Internally, these issues are handled through SCA's product safety network, and Packaging is investing considerable resources in optimizing both the functionality and safety of its products. A key concern is of course to ensure that all packaging material and the end products are manufactured according to strict hygiene standards. A number of projects conducted at EU level and internally in Packaging are aimed at identifying the factors that may influence product safety, partly through studies on chemicals and microbiology.

Packaging is working with other packaging companies to help shape the future of the industry by developing common industry guidelines on how to best meet legal requirements, for instance by deciding which tests, such as toxicity tests, need to be conducted.

Health and safety in Europe

One of the areas where SCA is continuously seeking to raise standards is in ensuring the health and safety of the company's employees and contractors. Every injury or death that occurs at an SCA site is one too many.

Some of the business benefits of working proactively on preventive health and safety include improved productivity, lower insurance costs, lower rates of sick leave, lower staff turnover, a stronger work ethic and a good reputation as an employer.

Packaging has for many years been working to improve health and safety at our facilities and has been successful

both in reducing general levels of absence due to illness and in facilitating the return to work of employees who have been long term ill. At our European paper mills, for example, our target is zero workplace accidents and we are continuously working to improve safety.

Over the past four years our efforts at these facilities have been expanded to include systematic health initiatives. One reason for this is that workplace absence is primarily due to illness, with workplace accidents accounting for a much smaller percentage of the total absence. Packaging has formulated a vision based on attendance, with a goal of 100% attendance at our factories.

Every three years, all our paper mills are audited according to the international Occupational Health & Safety Assessment Series (OHSAS 18001). As a result of the new vision, the audit protocols were updated with an expanded section on health in connection with for the audit in 2005.

Following the audit, we devised a number of improvement measures for all facilities and as a result, all of our factories now offer extensive health programmes adapted to local requirements and conditions. All health programmes are voluntary and comprise activities such as regular health checks, help with physical training, courses in nutrition, cookery and other subjects.

A particular area of focus for Packaging has been reducing the number of employees on long-term sick leave. By offering relevant rehabilitation and maintaining regular contact with these employees, we have successfully reduced the number of employees on long-term sick leave.

In order to monitor safety standards at our facilities and obtain reliable data

Management Development in Asia

Packaging conducted a two-stage development programme, in 2006, for 125 managers at its facilities in China. "The purpose of the programme is to develop top and middle management by identifying individual strengths and weaknesses," said Joy Zhou, Director of Human Resources at Packaging Asia. In stage two the participants will be divided up into smaller teams to benefit from the group's collective knowledge and experiences in a more effective way and gain an understanding of other parts of the company.



Avian Flu

In order to be prepared for the threat of a widespread Avian Flu epidemic, SCA Asia Pacific has drawn up an emergency management plan, and an emergency management organization has been established throughout the region with each division responsible for its own area. The emergency management programme has been communicated to the management of all operations and at staff meetings. SCA Asia Pacific has also launched a website with information on Avian Flu and the emergency management plan.

on which to base decisions, a system for reporting all accidents and incidents has been in place since 1997. In 2006, the system was updated with specific information on the nature and severity of incidents. Since 2002, a system for the detailed reporting of health data has also been in use. The results show that the rate of workplace attendance in 2006 was 95%, based on the total number of hours worked.

Social responsibility in connection with closures

In 2006, seven SCA Packaging production facilities were closed. The closures affected 360 employees in five countries. The reason for the closures was that SCA needed to adapt production capacity to changing market conditions in order to ensure the long-term profitability of the business. To implement the closures in the most considerate manner and avoid causing unnecessary anxiety and disruption to our production, we concentrated our measures in two areas: communication and support.

The first step was to issue clear information to those concerned as soon as possible. SCA Packaging European Works Council and other employee representatives were informed in accordance with SCA policies, national legislation and collective agreements. At an early stage in the process, the employees were informed why the changes were necessary and were then kept up-to-date on proposed measures and how they would be implemented.

The second step, and a big challenge, was to constructively engage the employees and their representatives in subsequent decision-making. In all restructuring activities, SCA seeks to develop a social plan including support measures

that addresses both group and individual needs. The agreements reached within Packaging included a series of measures aimed at helping employees find alternative employment.

The measures included severance pay and positions at other SCA units. Those who accepted the latter offer were given an opportunity to try out the new job for a period of 90 days. Packaging also helped employees find new jobs outside the Group while providing financial support for training programmes that would give those concerned the required expertise to seek employment with new employers. Individual career advice, job searches, workshops and administrative support are other examples of services that were offered. In many cases local employers who might have vacancies were informed about our closure plans. Support is often provided to employees for several months after production at the facilities concerned had ceased.

By taking a structured and responsible approach to the process of winding down production, SCA Packaging was able to implement the closures without disruption of production activities and without damaging SCA's reputation as a socially responsible employer.

Effective improvement activities at Chinese plants

In 2005, SCA assumed full control of the previously jointly-owned production facilities in China as part of a drive to strengthen the company's presence in the Chinese market. Shortly after the acquisition, audits were conducted at all Chinese plants to determine the standard of performance relating to environmental and health and safety issues. Based on the results of the audits, plans for concrete improvements were devel-

oped and implementation undertaken during 2006.

Environmental initiatives included investments in efficient treatment plants to clean process water. Our Chinese organization has also established a partnership among the various plants to promote an exchange of knowledge and experiences, and introduced measures designed to implement the SCA Group's Resource Management System (RMS). A concrete result of this is that all but one of our Chinese facilities will be certified according to the international environmental standard ISO 14001 by early 2007. The reason for the delay in ISO 14001 certification of the remaining facility is that it is currently being relocated.

In 2006 our Chinese organization also worked intensively on improving physical safety, hygiene conditions and general maintenance with a view to not only meeting but exceeding the stan-

dards defined in local and national legislation. During 2006, improvements were made in all areas; notably, accidents resulting in lost working time were reduced by 30% (see table below).

In November 2006, Packaging undertook a second follow-up audit of all its plants, the results of which will serve as a basis for continuing the process of fully integrating the Chinese facilities into SCA.

A very positive result of our activities in 2006 is that the higher standards at our Chinese production facilities have attracted new, demanding international customers.

The organization has also been strengthened through the recruitment of new employees to work on ensuring SCA's Chinese plants are in compliance with local and national legislation. New procedures, including local safety inspections and training programmes, have been introduced with a view to

nurturing a new culture and greater awareness of safety and environmental issues.

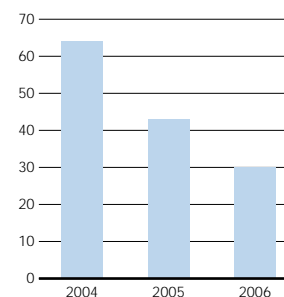
To ensure greater efficiency in our purchasing activities, the number of paper suppliers has been reduced from 120 to 56 and our supplier contracts now include SCA's Code of Conduct requirements and SCA's policy of never using fresh fibre based raw material from controversial sources.

Safety Work in China

Extra emphasis was placed on safety at SCA's facilities in China during 2006 and a number of measures were implemented to improve safety. These include fire and evacuation drills at all facilities as well as training in the handling of hazardous chemicals. The Red Cross provided training in first aid and all facilities have been provided with first aid equipment. All safety advisors have been trained and certified by Dupont. In 2006 a safety conference was held and an EHS engineer was recruited to assist and provide training at the various facilities.



**Lost Time Accident (LTA),
SCA Packaging in China**





Forest Products

Our involvement with the community and environment is firmly rooted in a long tradition and spans from responsible forestry to intelligent utilization of wood raw material and a deep social commitment.

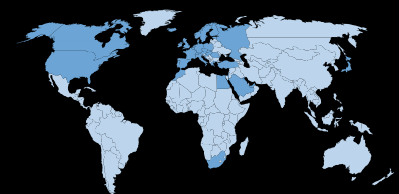
Forest Products

The products produced are publication papers, pulp and solid-wood products. This business area supplies the Group with raw material from SCA's own forests and is responsible for some of the Group's transport and logistics solutions.

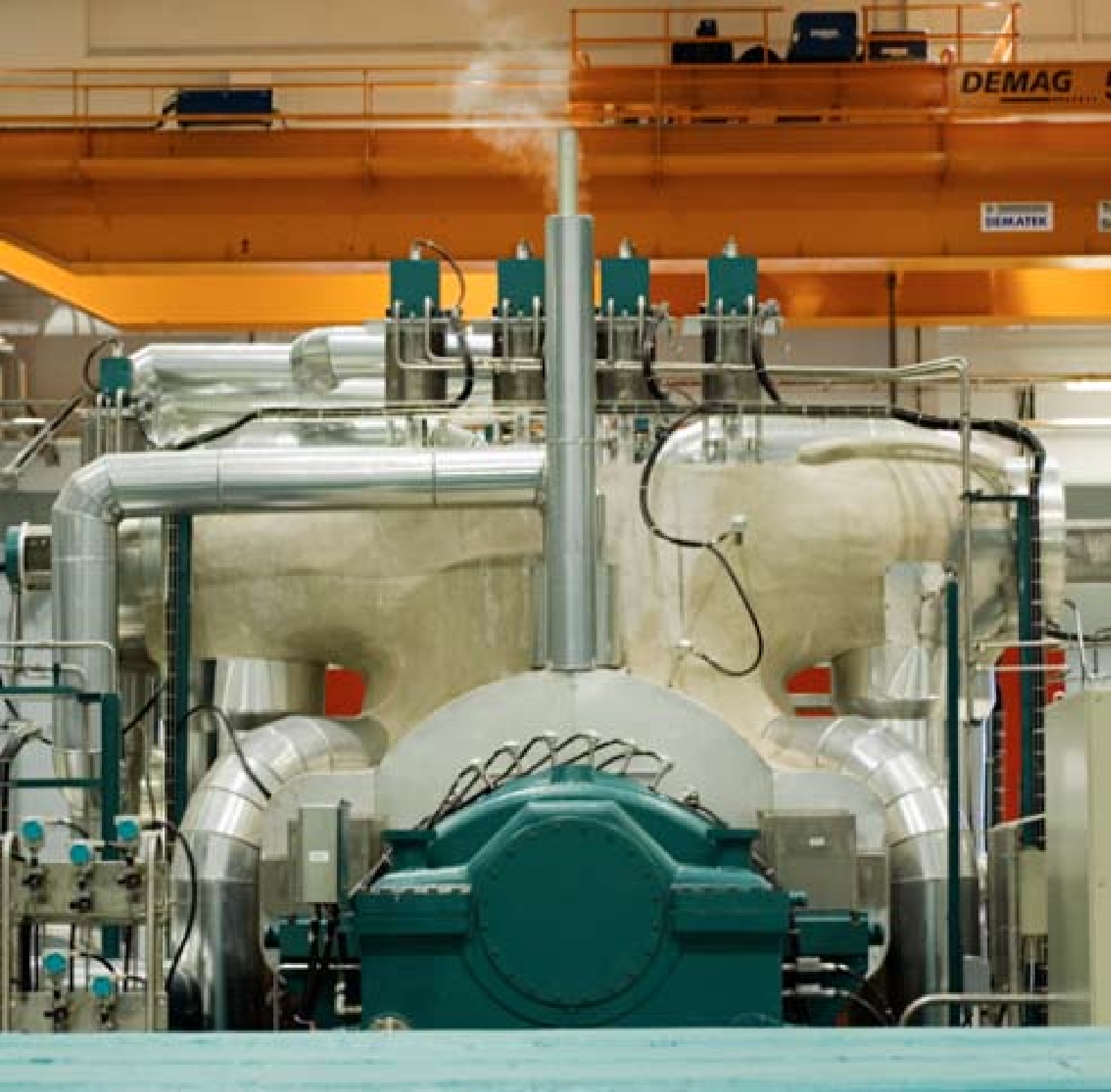
Share of the Group



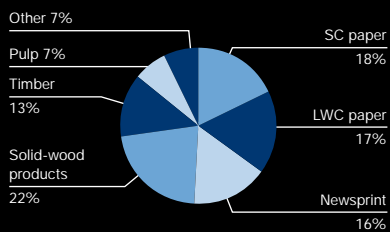
Geographical presence



Most of the sales are in Europe, but the products are also sold in North America and Japan.

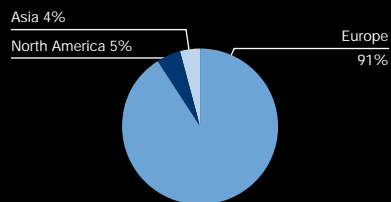


Sales by product segment



Half of the sales within Forest Products are publication papers. Other segments are pulp, timber, solid-wood products and logistics.

Sales by region



Most of the sales are in Europe. Solid-wood products and magazine paper are also exported to other parts of the world.

Deliveries

	2005	2006
Newsprint (tonnes)	552,000	567,000
SC-paper (tonnes)	482,000	502,000
LWC-paper (tonnes)	429,000	465,000
Solid-wood products (m ³)	1,539,000	1,731,000



Forest Products **Responsible forest management**

Forest Products manages 2.6 million hectares of forest, of which 2.0 million hectares are used for timber production for SCA's Swedish industries. The remaining acreage comprises areas of great natural value or areas with a low level of timber production.

Responsible forest management is becoming increasingly important for our society as well as for our customers. Forest Products has set ambitious environmental goals for the forests we manage. In 1999 our forest management business was certified according to strict criteria established by the Forest Stewardship Council (FSC), an international organization that aims to promote more responsible forest management worldwide and has support from influential environmental organizations such as WWF and Greenpeace. SCA's sawmills and the mills producing publication papers (Ortviken in Sundsvall, Sweden and Laakirchen in Austria) or pulp (Östrand in Sweden) have all been chain-of-custody-certified by FSC, which means that they can offer FSC-certified wood, paper, pulp and fuel products. This, combined with our Totally Chlorine Free (TCF) production processes, gives us an entirely unique position in the market.

All timber supplied to SCA's mills and sawmills has been FSC-certified or meets FSC criteria for certified timber. This means that the timber does not come from controversial sources, as documented in all contracts with external suppliers and verified through regular monitoring by independent auditors.

Today SCA is one of the world's largest suppliers of FSC-certified products. The breadth of this portfolio, which includes solid-wood products, pulp, magazine paper, newsprint, toilet paper and

kitchen towels, is unique. Demand for FSC-certified paper products is increasing in Europe, especially in the UK and Germany.

Measures for an efficient energy supply

Makers of newsprint and magazine paper (LWC – Light Weight Coated and SC – Super Calendered) often add mechanical pulp to achieve specific product properties, such as a high light scattering coefficient, high opacity, an even paper surface and optimal absorption of printing ink. The mechanical processes used to separate the paper fibre consume large amounts of electricity.

Forest Products has, for many years, been investing in energy-efficient production methods. In addition, we now use co-generation at all pulp and paper mills. Co-generation is an optimal method for generating energy with a high level of efficiency, as the technology allows us to utilize both the heat and the electricity that is generated.

One example of the ways in which we are seeking to ensure an efficient energy supply while gaining better control of electricity costs is the new soda recovery boiler at our Östrand pulp mill. SCA has invested SEK 1.6bn in the new facility, which became operational in October 2006 and will generate 500 GWh of green electricity per year. This will make the Östrand mill largely self-sufficient in both electricity and heating. The new soda recovery boiler will also significantly reduce the emissions to air from the facility.

Forest Products has established a partnership with other electricity-intensive companies by forming a joint company called BasEl. Since being formed, the company has been working on a

Finnish-Russian cable project and on producing wind power in Sweden. The wind power project involves an investment by SCA and the other companies of SEK 5bn in the construction of 150 new wind power stations with a combined capacity of 1 TWh.

Forest Products is also continuing its internal efforts to find new ways of reducing electricity consumption, and has in recent years implemented a number of successful projects in this area.

Wood as biofuel

Energy policies are going through a period of rapid adjustment. Climate change has generated huge interest in alternative sources of energy, and the trend towards greater use of renewable energy in Europe is also being driven by political considerations. The EU is currently heavily dependent on imported energy in the form of oil and gas. By increasing the portion of domestic and renewable energy sources, the EU hopes to become more self-sufficient.

In recent years the EU has introduced new legislation and a range of mechanisms designed to fulfil the intentions of the Kyoto Protocol, including the wider use of biofuels. This will have a number of consequences for Forest Products. The new legislation and growing demand are making it possible for us to sell green electricity on the market as well as emission rights to other industries. The downside is that the mounting demand for biofuels is pushing up prices of wood raw material. However, thanks to our efficient production methods and extensive forest holdings we are in a better position than most to successfully meet these challenges.

The political support mechanisms are currently veering towards incinerat-

ing wood raw material to generate energy, which will have a direct impact on the forest industry. Assuming that the raw materials are of a sufficiently high quality, good management of natural resources involves first producing products and then, when the wood or fibre has become waste, recycling the energy. This generates a significantly higher value for society while at the same time creating new jobs. The use of industrial wood for energy or products should be determined by a market that is without interference of state aid, which distorts competition. However, there are significant opportunities for increasing biofuel production by making use of logging residues and tree stumps, reducing the need to use industrial raw materials.

Through Norrbränslen, another SCA business, Forest Products is a major producer of biofuels from forest waste and industrial residues. Norrbränslen sells pellets from four plants with a total capacity of 300,000 tonnes of pellets. It supplies about 4 TWh in total of biofuels and is involved in several projects

aimed at improving the efficiency of fuel management and utilization of new fuels such as tree stumps.

A broad social commitment

SCA was formed in 1929, but our predecessors in the Norrland forest industry in the north of Sweden inherited a tradition stretching back several hundred years. The oldest of the companies that formed what later became SCA has a history dating back to 1673. The owners of these companies exercised considerable influence in the region, and many communities in Northern Sweden were formed as a consequence of the businesses that they established. To attract labour, they built churches, housing, shops and much of the infrastructure that was needed for an industrial society.

Today, the situation is of course very different, but Forest Products is still deeply rooted in the local community. In many communities in Northern Sweden we are the largest private employer, playing an active role in several areas of society. The society in which we operate

still expects a lot from us, and we are engaged in an ongoing dialogue with numerous local representatives. Forest Products is thereby continuing a long tradition of local commitment in the communities where we operate.

We initiated and have been very committed to the Mid Sweden University's successful wood fibre research activities. In Sundsvall, Forest Products is represented on the municipal crime prevention council, which aims to build a safer city through concerted action against alcohol and drug abuse and crime. We are also a sponsor of KRIS, an organization which helps former criminals build a stable and drug-free life, and SCA has supported the KRIS preventive information campaign among school children.

We are also very active in drug prevention at our own workplaces. SCA was one of the first Swedish employers to introduce drug testing of employees. We have worked in cooperation with the local trade unions to develop procedures for drug testing of all new employees. We also carry out random tests, and

2006 – The Year of Safety at the Östrand pulp mill

In 2006 the Östrand pulp mill conducted a systematic review of the way in which the mill works with protection and safety. 40 points were noted in 12 focus areas where improvements need to be made. 29 of these have been taken care of and 11 are well on the way to being fixed.

In 2007 this process is continuing with improved routines for "lock-out tag-out," i.e. ensuring that all machinery is turned off and secured before work is carried out, and labelling throughout the mill is being checked to ensure it clearly indicates what is inside various cables. A new routine developed for work order risk inventory will be implemented at the mill, and the procedures for reporting incidents will be further improved.

"Safety at work is not the station at the end of the line, it is the means of transport," says Ingela Ekebro, Production Director at Östrand pulp mill.

Increased deliveries of FSC certified products

Forest Products increased deliveries of FSC certified products in 2006.

Last year SCA delivered around 70,000 tonnes of FSC certified printing papers. Most of this was LWC (light weight coated) paper for magazines and catalogues and a small portion was SC (super calendered) paper. 14% of last year's LWC deliveries were FSC certified.

Of all pulp deliveries, more than 200,000 tonnes were FSC certified pulp. 42% of chlorine-free bleached sulphate pulp and 37% of CTMP (Chemi-Thermo Mechanical Pulp) was sold as FSC certified pulp.

24% or just over 400,000 cubic metres of SCA's solid wood products were sold as FSC certified products.

The Forest Stewardship Council (FSC) is an independent organization working to promote responsible forest management. The FSC has established principles and criteria for forestry that is environmentally sound, economically viable and that benefits society. The FSC accredits auditors who can grant FSC certification to forestry operations that meet these criteria and for products that are based on wood from responsible forestry operations. SCA's forests were FSC certified in 1999.



offer employees with drug abuse problems a care contract under which the employee is offered support and rehabilitation to start a new, drug-free life.

SCA is actively committed to helping employees who are on long-term sick leave to return to work as soon as possible. Through our company health care service, SCA Hälsan, we offer qualified rehabilitation programmes, which include support from managerial staff and other employees. We also offer those on

sick leave the opportunity to return to work earlier to tasks that are adapted to their working capacity, enabling them to return to work and the community as soon as possible. In this way SCA has successfully helped a large number of people on long-term sick leave to return to work. Over the past two years the number of people on long-term sick leave has been halved from a level that was already considerably below the Swedish average.

Thanks to our strong position as an employer and our strong social commitment we enjoy good relations with local and regional authorities. By conducting an open dialogue with government representatives at different levels, we build an understanding of the challenges faced by both parties and thereby contribute to the long-term development of both SCA and the region as a whole.



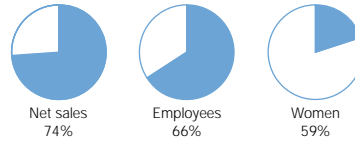
SCA Data Facts and figures



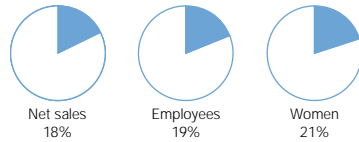
SCA in the world	46
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SCA in the world

Europe / Share of Group total

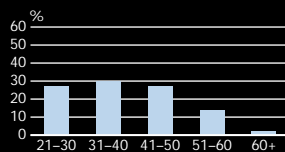


Americas / Share of Group total



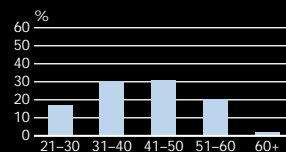
Americas	2006	2005
Sales, SEKm	17,887	16,848
Employees	9,487	9,690
Women, %	28	27
Salaries, SEKm	2,295	2,333
Social Costs, SEKm	715	711

Employee Age Distribution



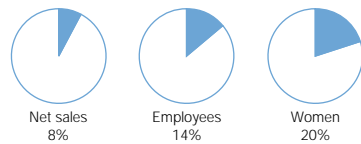
Europe	2006	2005
Sales, SEKm	74,733	71,603
Employees	33,736	33,452
Women, %	22	22
Salaries, SEKm	11,491	11,261
Social Costs, SEKm	3,287	3,544

Employee Age Distribution



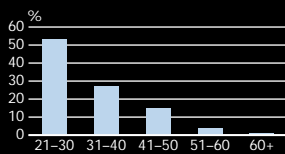


Asia Pacific / Share of Group total



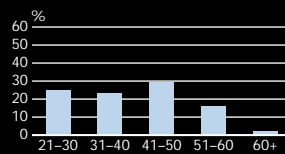
Asia Pacific	2006	2005
Sales, SEKm	7,926	7,077
Employees	7,338	8,499
Women, %	35	39
Salaries, SEKm	869	861
Social Costs, SEKm	64	127

Employee Age Distribution



SCA Group total	2006	2005
Sales, SEKm	101,439	96,385
Employees	51,022	51,902
Women, %	25	25
Salaries, SEKm	14,668	14,470
Social Costs, SEKm	4,071	4,387

Employee Age Distribution





RMS – SCA's Resource Management System

SCA has an extensive system for gathering and presenting data for individual production facilities and entire business groups. The Resource Management System (RMS) allows SCA to analyse data that describes how the company uses energy, water, transports and raw materials, as well as waste and emission levels. The RMS data is used for internal control and monitoring, external benchmarking and as a tool for evaluating acquisitions and major investments. This year's RMS data includes 5 new paper mills and 2 new conversion facilities. 5 papermills have been removed from the RMS since they no longer belong to the SCA group.

Resources

This section describes SCA's use of raw materials, water, energy and transports in 2006.

Raw materials

A typical SCA product is made from various types of wood fibre. It also contains small amounts of inorganic and fossil organic materials.

Renewable raw materials (fresh fibre and recycled fibre) account for the largest share of the material used in an average SCA product. Inorganic materials (kaolin clay and calcium carbonate) are used as filler and coating pigment in certain types of paper in order to satisfy customer quality requirements. Synthetic materials are used in highly absorbent hygiene products to improve quality and function as well as in packaging with superior protective qualities.

SCA is Europe's largest collector and user of recycled fibre. The diagram shows the raw material composition of SCA's products.

Water

SCA's water supply is presented under the heading Raw Material Supply. The stated figures are totals for surface water, groundwater and municipal water systems. SCA's total water intake is 232 Mm³.

Energy

Energy use includes purchased energy (heating, electricity and fuel) supplied to production units, energy generated from wood, liquor, bark, sludge and waste paper, and electricity generated on site. A large portion of the energy used by SCA comes from the incineration of wood residuals and from on-site co-generation of electricity. The stated energy data figures therefore include both a fuel component and an electricity component.

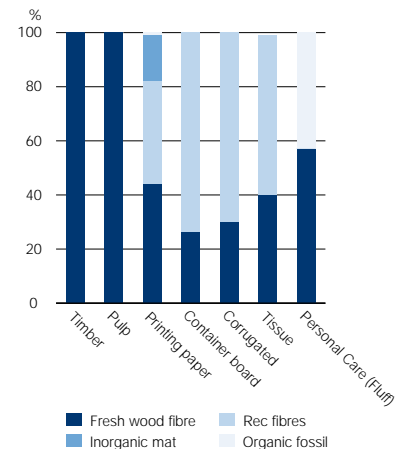
Any excess electricity produced at an SCA facility that is not used internally is supplied to the national grid. In 2006 SCA delivered 437 GWh of electricity to the national grid.

SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden. This is a good way of saving energy and in 2006, SCA delivered heat to district heating systems equivalent to 17,794 m³ of fuel oil. SCA also delivered thermal energy equivalent to 29,252 m³ of fuel oil to nearby paper mills.

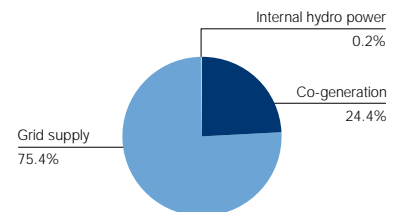
Transports

Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses external suppliers for most of its transports. SCA's transport use is equivalent to 32.5 billion tonne-kilometres. Sea transports account for the greatest portion of SCA's transports and the remain-

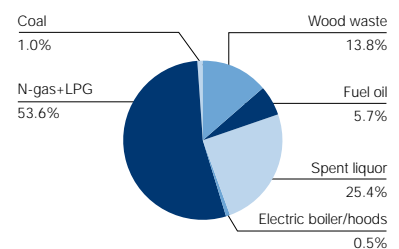
Distribution of raw materials



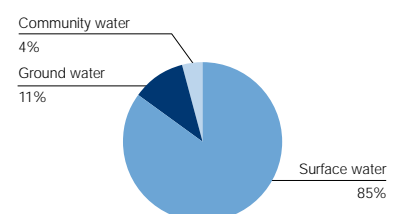
Distribution of electricity supply



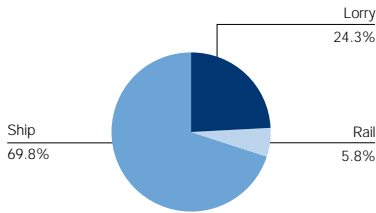
Distribution of fuel supply



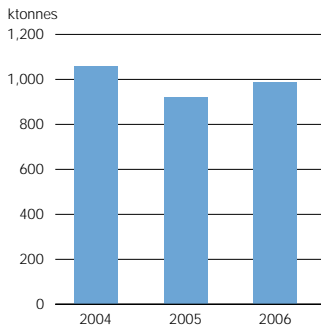
Distribution of water supply



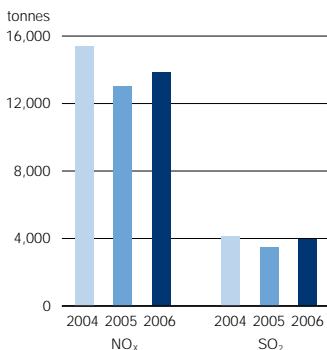
Distribution of transport usage



Emission from transport CO₂



Emission from transport NO_x and SO₂



der consists of road and rail transports. SCA's raw material and product transports use the equivalent of 13,192 TJ of fuel and 69 GWh of electricity.

Emissions

The company's total emissions are determined by fuel consumption, which in turn is determined by the level of production. Changes in production volumes over the past few years, measured in tonnes and cubic metres, are shown in the tables, which present Group emissions in 2004, 2005 and 2006. It should be noted that SCA has made a number of acquisitions in recent years and this RMS report includes 5 new mills and 2 conversion plants included for the first time.

Air emissions

Air emissions comprise emissions from all combustion units at SCA's production sites, including fossil fuel and biofuel emissions and emissions from purchased thermal energy. When energy (primarily thermal energy and/or electricity) is supplied to an external facility, air emissions are reduced in relation to the delivered energy amount and the reduction is distributed among SCA's main products. Three chemical compounds are measured and reported in relation to air emissions: NO_x, SO₂ and fossil CO₂. The stated CO₂ figures may differ somewhat from those reported to local authorities under the EU Emissions Trading Scheme (ETS). This is because the countries participating in ETS use different limits and definitions for their calculations, while SCA calculates and presents RMS data according to a separate set of rules. A global company such as SCA, with operations on several continents, needs a single set of rules for cal-

culating data to enable uniform reporting and monitoring of emission levels.

Air emissions from transports

A large portion of SCA's air emissions is generated by transports, rather than the company's production activities. Transport emissions are not included in the tables "Raw materials, energy, and emissions" on pages 52, but are presented in the diagrams on page 50.

Water emissions

SCA's effluent water is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. The total volume of discharged process water is 129 Mm³. This water is treated using methods similar to those employed at municipal sewage treatment facilities. The figures for 2006 refer to process water emissions.

The emissions to water stated in the tables comprise COD, BOD, suspended solids, AOX, P and N. Methods of measuring differ in some respects. All SCA production of bleached chemical pulp employs Totally Chlorine Free (TCF) processes. The stated AOX data refers to treatment of incoming raw water.

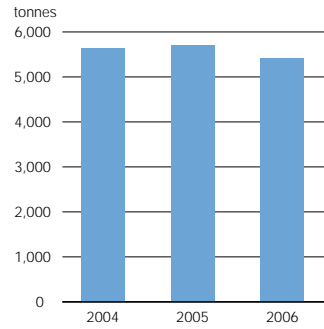
Solid waste

The solid waste reported by SCA is waste that is sent to landfill, recycled waste and hazardous waste. Recycled waste refers to materials that can be used as raw materials in other industries, such as the cement, brick-making and construction industries. The main types of recycled waste are ash, sludge, organic waste and plastics. Hazardous waste is primarily waste oil as well as organic solvents, batteries and strip lights.

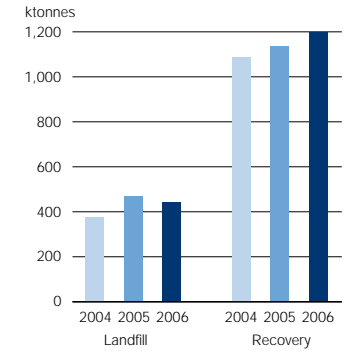


Steam at the tissue mill in Valls, Spain.

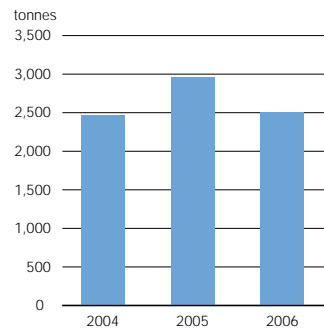
Air emissions NO_x



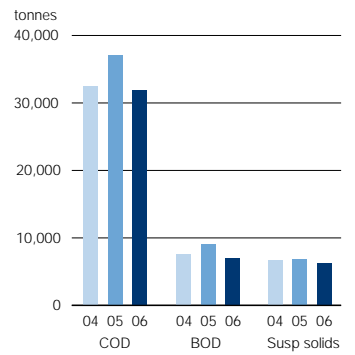
Distribution of solid waste



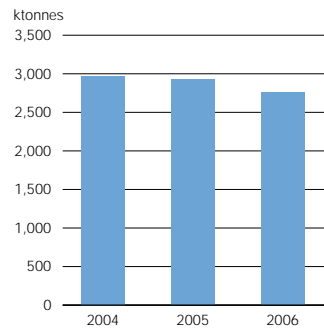
Air emissions SO₂



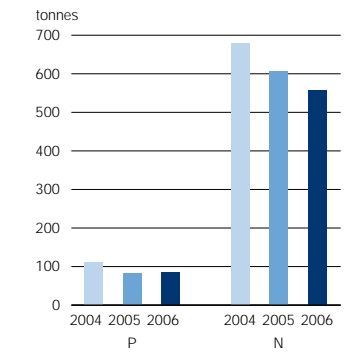
Water effluents COD, BOD and Suspended solids



Air emissions CO₂ fossil



Water effluents P, N



Raw materials, Energy and Discharges

		Forest Products		Packaging		Tissue Products		Personal Care		SCA Group Total	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Production											
Paper and pulp	ktonnes	2,222	2,137	4,888	5,006	2,345	2,343			9,455	9,486
Personal Care products	ktonnes							481	407	481	407
Timber and solid wood products	1000m ³	1,660	1,576							1,660	1,576
1. Raw materials											
Wood/saw mill chips*	kton	3,174	3,062	683	701	472	449	0	0	4,329	4,212
Purchased pulp*	kton	142	133	0	6	733	795	304	263	1,179	1,197
Purchased paper	kton	0	0	0	0	19	N/A	0	0	19	N/A
Containerboard*	kton	0	0	2,783	2,623	0	0	0	0	2,783	2,623
Recovered paper	kton	750	780	1,930	2,171	1,678	1,666	0	0	4,357	4,617
Inorganic material	kton	320	305	2	12	9	9	0	0	330	326
Organic fossil material	kton	13	13	28	62	1	2	232	193	274	270
Water	Mm ³	95	93	43	45	94	98	0	0	232	237
2. Energy											
Electricity											
Internal hydro power	GWhe	16	15	0	0	0	0	0	0	16	15
Co-generation	GWhe	1,037	1,103	582	644	518	527	0	0	2,138	2,274
Grid supply	GWhe	2,567	2,417	1,105	1,240	2,610	2,529	327	283	6,610	6,469
Total	GWhe	3,621	3,535	1,688	1,884	3,128	3,056	327	283	8,763	8,758
Fuels											
Biofuel	TJfuel	14,295	13,754	9,472	10,594	4,621	4,496	0	0	28,388	28,843
Fossil fuel	TJfuel	9,320	9,830	15,041	17,347	22,002	22,799	214	220	46,577	50,195
Electric boiler/hood	TJfuel	209	317	51	51	203	114	0	0	463	482
Total	TJfuel	23,824	23,901	24,564	27,992	26,825	27,409	214	220	75,427	79,521
of which co-gen.	TJfuel	5,425	5,872	2,925	3,306	3,238	3,427	0	0	11,588	12,605
3. Discharges											
To air											
NO _x as NO ₂	tonnes	1,778	1,608	1,697	2,073	1,928	2,062	21	22	5,425	5,764
SO ₂	tonnes	405	507	724	882	1,374	1,447	0	0	2,503	2,836
Dust	tonnes	130	118	414	376	153	169	0	0	697	663
CO ₂ fossil	ktonnes	541	569	909	1,037	1,293	1,304	17	12	2,759	2,923
CO ₂ biogenic	ktonnes	1,511	1,615	1,171	1,297	591	577	0	0	3,273	3,489
To water											
COD	tonnes	12,269	12,694	9,657	11,591	10,044	12,837	0	0	31,970	37,123
BOD	tonnes	847	1,482	3,207	3,770	2,953	3,896	0	0	7,007	9,148
Suspended solids	tonnes	604	637	2,302	3,113	3,349	3,174	0	0	6,255	6,924
AOX	tonnes	6	6	4	2	4	3	0	0	14	11
P	tonnes	26	27	22	28	36	26	0	0	84	82
N	tonnes	210	210	148	202	200	193	0	0	559	605
Effluent water	Mm ³	40	38	29	30	60	60	0	0	129	129
Solid waste											
Landfill	tonnes	72,404	90,822	103,410	122,947	260,409	251,092	4,222	3,062	440,445	467,922
Recovery	tonnes	231,794	259,732	124,612	117,713	796,090	716,388	46,911	43,081	1,199,408	1,136,913
Hazardous	tonnes	776	960	1,165	1,759	708	631	18	0	2,667	3,350

Data table – terminology

The notes below define the terminology used in our environmental data tables in the context of SCA. Production is the sum of all main products delivered from each site. SCA off-site integration is not included.

Raw Material Supply

Wood/sawmill chips the sum of wood delivered to each site.

Purchased pulp the sum of pulp supplied to a site.

Recovered paper the sum of recovered paper supplied to a site.

Inorganic material covers inorganic fillers and coating materials supplied to a site calculated at 100% dry substances (ds).

Organic fossil material covers crude-oil-based materials such as super-absorbent and adhesives calculated at 100 percent dry substances.

Water represents the sum of surface water, ground water and tap water for processes and cooling purposes.

Where input water is not measured, it has been calculated as equaling the effluent water.

Energy

Internal hydro power electricity produced in fully owned local hydro power stations.

Co-generation electricity produced in CHP (combined heat and power) schemes allocated to the production.

Grid supply the electricity supplied from the national grid.

Biofuel renewable fuel from wood and process residues.

Fossil fuel coal, fuel oil and natural gas supplied to the site, exclusive of fuel for transport.

Electric boiler electricity supplied for thermal heat (production), for boilers and heat pumps, measured at the site and converted in GJ.

Of which co-gen that part of the total fuel supply allocated to the electricity produced by the CHP schemes.

Discharges

NO_x as NO₂ the nitrogen oxides NO and NO₂, calculated as NO₂ derived from combustion. Where NO_x is not measured, a standard value of 100 mg/MJ fuel is used.

SO₂ total sulphur calculated as SO₂ from processes and combustion at the site. Where SO₂ is not measured, the input sulfur in the fuel is calculated.

Dust particles in the flue gas created during combustion.

CO₂ fossil the carbon dioxide derived from combustion of fossil fuels. It is calculated from the carbon content of each fuel.

CO₂ biogenic the carbon dioxide derived from combustion of biofuel. It is calculated from the carbon content of wood.

COD the chemical oxygen demand substance measured in the effluent water leaving the site.

BOD the biochemical oxygen demand substance measured over seven days in Swedish mills and five days in the rest of Europe, in accordance with national legislative systems.

Suspended solids particles which are not dissolved in the effluent water.

AOX the amount of chlorine-bound organic substances.

P the total of phosphorus in the effluent water.

N the total of nitrogen in the effluent water.

Effluent water water discharged to the watercourse after treatment.

Landfill solid waste material sent to a landfill.

Recovery solid waste material recovered into an outside process.

Hazardous waste material disposed of by authorised contractors, as defined by national laws.

Facts about the mills Tissue

		Edet Sweden	Jönköping Sweden	Drammen Norway	Prudhoe Great Britain	Tawd Great Britain	Chesterfield Great Britain	Oakenholt Great Britain	Sterbert Belgium	Mannheim tissue Germany	Mannheim pulp Germany	Mannheim Total Germany	Kostheim Germany	Friesland The Netherlands	Le Thell France	Roanne France	Ortmann Austria	Valls Spain
2006 Grades		ti	ti	ti	ti	ti	ti	ti	ti	ti,gp	bsi	ti,gp, pp,bsi	ti	ti,nw	ti	ti	ti	ti
Production	ktonnes	96	19	21	75	21	27	52	71	276	213	322	101	5	62	31	123	75
Energy																		
Electricity																		
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Co-generation	GWhe	9	0	0	0	45	0	0	0	214	60	275	28	0	0	0	80	0
Grid supply	GWhe	129	26	29	140	25	26	56	83	237	67	304	108	12	72	32	65	94
Total	GWhe	138	26	29	140	71	26	56	83	451	127	578	136	12	72	32	145	94
Fuels																		
Biofuel	TJfuel	632	76	0	0	0	0	0	0	153	3,760	3,913	0	0	0	0	0	0
Fossil fuel	TJfuel	97	61	128	1,103	800	257	42	601	3,602	715	4,317	962	45	383	223	1,343	473
Electric boiler	TJfuel	159	0	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	TJfuel	888	137	171	1,103	800	257	42	601	3,755	4,475	8,230	962	45	383	223	1,343	473
of which co-gen.	TJfuel	36	0	0	0	591	0	0	0	933	260	1,193	120	0	0	0	451	0
Discharges																		
To air																		
NOx as NO ₂	tonnes	45	15	8	30	80	14	37	55	197	585	782	68	1	21	1	65	48
SO ₂	tonnes	2	4	0	4	0	1	5	0	13	185	198	4	0	0	0	0	0
Dust	tonnes	0	0	0	3	0	0	0.0	0	0.4	35	35	0	0	0	0	0	2
CO ₂ fossil	ktonnes	6	6	9	62	47	14	2	30	107	137	244	57	3	20	11	74	29
CO ₂ biogenic	ktonnes	90	10	0	0	0	0	0	0	159	333	491	0	0	0	0	0	0
To water																		
COD	tonnes	479	256	315	72	73	598	64	100	479	5,214	5,693	217	81	37	18	206	10
BOD	tonnes	118	104	N/A	9	N/A	N/A	9	44	217	799	1,016	19	N/A	11	1	15	7
Suspended solids	tonnes	101	43	132	20	106	74	9	10	135	353	488	2	36	2	7	18	2
AOX	tonnes	0.6	0.2	N/A	N/A	N/A	N/A	N/A	2.0	0	2.0	0	0.5	0	N/A	N/A	0.2	0
P	tonnes	1	0	1	0.3	0	0	0	0.2	3	12	16	1	0	0.1	0.02	0.5	0
N	tonnes	14	2	3	1	0	0	0	2	9	54	63	9	0.5	2	0.3	13	0
Effluent water	Mm ³	3,900	1,144	1,631	2,434	0,627	0,386	0,457	0,930	3,759	11,598	15,357	1,755	0,208	0,463	0,412	3,412	0,165
Solid waste																		
Landfill	tonnes	2,134	0	14,390	9,125	1,553	1,713	607	237	379	0	379	0	0	0	31	5	222
Recovery	tonnes	30,231	24,490	20,221	75,941	3,707	24,505	6,309	3,487	58,549	0	58,549	109,681	2,232	3,906	272	105,654	4,618
Hazardous	tonnes	7	3	6	7	13	0	18	48	209	0	209	0	1	47	15	41	124

ti = tissue paper reels and/or tissue consumer products
 nw = non wovnen
 gp = grease proof paper
 pp = packaging paper
 bsi = bleached sulfite pulp
 uc = uncoated fine paper
 rc = recycled pulp
 mp = market pulp
 E/T = External treatment
 N/A = data not available

																				Total
Mediona Spain	Svetogorsk Russia	Lucca 1 Italy	Colloidi Italy	Pratovecchio Italy	Alsip US	Barton US	Flagstaff US	Menasha US	South Glens Falls US	Ecatepec Mexico	Monterrey Mexico	Uruapan Mexico	Lasso Ecuador	Cajicá Colombia	Medellin Colombia	Box Hill Australia	Kawerau New Zealand	Cavite Philippines	Tissue Products 34 mills	
ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti, rp	ti, uc, mp	ti	ti	ti	ti	ti, ctmp	ti	ti	
41	42	122	39	18	53	86	55	206	73	67	94	150	23	22	37	49	59	9	2,345	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	48	0	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	518
34	36	70	34	0.9	55	133	50	292	92	75	81	103	33	0.5	47	124	146	4	2,610	
34	36	118	34	23	55	133	50	292	92	75	81	103	33	0.5	47	124	146	15	3,128	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,621
273	346	1,339	294	323	451	604	479	1927	701	301	546	728	286	192	623	969	680	108	22,002	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	203
273	346	1,339	294	323	451	604	479	1927	701	301	546	728	286	192	623	969	680	108	26,825	
0	0	637	0	210	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,238
27	6	152	9	19	6	10	21	78	17	7	18	114	0	19	20	63	68	4	1,928	
0	0	0	0	0	0	0	0	0	0	0	0	726	222	N/A	127	0	0	80	1,374	
0	4	0	0.1	0	1	2	2	40	0	1	6	4	0	N/A	48	2	0	3	153	
15	19	69	15	17	25	31	27	92	41	17	31	112	22	11	43	50	34	8	1,293	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	591	
0	N/A	108	60	0	0	340	423	N/A	N/A	N/A	N/A	N/A	170	66	592	N/A	N/A	66	10,044	
0	N/A	29	27	0	131	43	40	49	243	N/A	N/A	34	144	24	291	48	481	16	2,953	
0	7	57	184	0	219	99	76	65	114	N/A	N/A	40	34	48	110	798	399	50	3,349	
0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	0	0	0	0	4	
0	0	0	0	0	0	11.7	2	3	0	N/A	N/A	1	0	0	0	0	0	0	36	
0	0	0	0	0	0	45	1	34	0	N/A	N/A	2	0	8	0	0	0	0	200	
0	1.675	0.287	0.136	0	1.749	3.987	0.371	8.259	2.594	N/A	N/A	0.980	0.834	N/A	0.684	1.173	3.311	0.468	60	
55	7,103	687	159	2,142	2,662	64,014	31,234	26,939	278	N/A	21,821	40,000	660	21,779	5,104	594	1,452	3,330	260,409	
3,054	818	1,020	314	2,121	0	0	0	210,137	72,646	N/A	N/A	N/A	15,867	331	13,530	249	2,198	0	796,090	
110	N/A	25	1	3	24	0	4	0.2	3.5	N/A	N/A	N/A	N/A	0	0	0	0	0	708	

Facts about the mills Personal Care

		Absbond Sweden	Falkenberg Sweden	Linselles France	Gennep The Netherlands	Hoogezaand The Netherlands	Olawa Poland	Gemaska Slovakia	Drummondville Canada	Bowling Green US	Cavite Philippines	Selangor Malaysia	Springvale Australia	Auckland New Zealand	Total
2006															
Grades															
Production	ktonnes	3	90	61	89	95	8	23	29	32	7	31	4	9	481
Energy															
Electricity															
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Co-generation	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grid supply	GWhe	5	48	36	38	87	5	24	21	23	6	19	10	6	327
Total	GWhe	5	48	36	38	87	5	24	21	23	6	19	10	6	327
Fuels															
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fossil fuel	TJfuel	10	0	47	32	86	3	26	8	0	0	0	0	2	214
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	TJfuel	10	0	47	32	86	3	26	8	0	0	0	0	2	214
of which co-gen.	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Discharges															
To air															
NOx as NO ₂	tonnes	1.0	0.0	4.7	3.2	9	0	2.6	0.8	0	0	0	0	0	21
SO ₂	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dust	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CO ₂ fossil	ktonnes	0.7	0.0	2.6	1.8	5	0	1.4	0.4	0.0	0	0	5	0.2	17
CO ₂ biogenic	ktonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
To water															
COD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BOD	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Suspended solids	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AOX	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N	tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Effluent water	Mm ³	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Solid waste															
Landfill	tonnes	0	66	0	0	1,390	14	89	663	528	310	10	835	319	4,222
Recovery	tonnes	310	9,129	4,415	6,914	12,320	113	6,161	2,605	2,489	0	1,436	434	585	46,911
Hazardous	tonnes	0	5	0	0	0	0	2	5	7	0	0	0	0	18

Facts about the mills Packaging

		Munksund Sweden	Obbola Sweden	New Hythe Great Britain	The Hoop The Netherlands	Aschaffenburg Germany	Witzenhausen Germany	Lucca Italy	Castelfranco Italy	Containerboard 8 mills	Corrugated board Europe 71 plants	Corrugated board Asia 15 plants	EPS Europe 13 plants	EPS Asia 8 plants	Total
2006	Grades	kl, wtl	kl, tl	tl, fl	tl, fl	fl	tl, fl	tl, fl, wtl	fl						
Production	ktonnes	333	399	245	346	314	321	371	33	2,362	2,327	178	11	11	4,888
Energy															
Electricity															
Internal hydro power	GWhe	0	0	0	0	0	0	0	0	-			0		0
Co-generation	GWhe	179	55	115	131	1	99	2	0	582	0		0		582
Grid supply	GWhe	155	267	3	7	145	26	140	14	757	285	25	18	20	1,105
Total	GWhe	334	322	118	138	146	125	142	14	1,340	285	25	18	20	1,688
Fuels															
Biofuel	TJfuel	5,533	3,527	0	0	246	61	56	0	9,422	0	0	49	0	9,472
Fossil fuel	TJfuel	298	646	2,027	2,701	1,388	2,159	1,557	137	10,911	2,944	472	127	587	15,041
Electric boiler	TJfuel	51	0	0	0	0	0	0	0	51	0	0	0	0	51
Total	TJfuel	5,882	4,173	2,026	2,701	1,634	2,220	1,612	137	20,384	2,944	472	177	587	24,564
of which co-gen.	TJfuel	754	231	754	704	10	418	56	0	2,925	0	0	0	0	2,925
Discharges															
To air															
NOx as NO ₂	tonnes	430	384	94	112	209	130	34	5	1,399	272	7	13	6	1,697
SO ₂	tonnes	166	164	1	0	3	21	0	0.0	354	247	61	0	61	724
Dust	tonnes	41	310	0	0	1	0	0	0	352	15	13		34	414
CO ₂ fossil	ktonnes	27	50	115	151	78	121	87	8	635	181	37	7	49	909
CO ₂ biogenic	ktonnes	692	439	0	0	26	3	5	0	1,164		0	6	0	1,171
To water															
COD	tonnes	5,256	2,490	275	270	203	259	301	21	9,075	569	13	0	0	9,657
BOD	tonnes	2,458	505	22	13	11	26	54	2	3,090	114	3	0	0	3,207
Suspended solids	tonnes	736	1,095	58	2	18	16	117	4	2,045	255	1	0	0	2,302
AOX	tonnes	2.1	1.3	N/A	N/A	0.3	0.2	N/A	N/A	4	0	0	0	0	4
P	tonnes	3.8	13	2	1.0	1.0	0.7	0.8	0.3	22	0	0	0	0	22
N	tonnes	21.0	72	19	10.0	7.7	6.0	11.5	0.9	148	0	0	0	0	148
Effluent water	Mm3	14.28	6.02	2.25	1.53	1.38	1.37	1.33	0.18	28	0.61	0.33	0	0	29
Solid waste															
Landfill	tonnes	7,077	12,600	24,674	128	0	0	43,680	2,725	90,884	5,180	7,110	182	54	103,410
Recovery	tonnes	5,289	25,290	0	23,078	28,176	21,240	16,931	0	120,003	2,774	1,481	249	105	124,612
Hazardous	tonnes	176	69	9	31	14	18	29	0	345	751	62	7	0	1,165

kl = kraftliner
 wtl = white top liner
 tl = testliner
 fl = fluting
 E/T = external treatment
 N/A = data not available

Facts about the mills Forest Products

							Total	
		Ortiken Sweden	Östrand Sweden	Laakirchen Austria	Aylesford Great Britain	Pulp and paper 4 mills	Forest operations 7 mills	Forest products
2006 Grades		np, lwc	bk, ctmp	sc	np	solid- wood products		
Production	ktonnes	844	484	500	394	2,222	2,222	
	1,000 m ³						1660	1,660
Energy								
Electricity								
Internal hydro power	GWhe	0	0	16	0	16	0	16
Co-generation	GWhe	51	245	388	354	1,037	0	1,037
Grid supply	GWhe	1,895	232	304	8	2,439	128	2,567
Total	GWhe	1,946	477	707	362	3,492	128	3,621
Fuels								
Biofuel	TJfuel	2,733	9,880	0	563	13,176	1,119	14,295
Fossil fuel	TJfuel	436	647	4,119	3,965	9,167	152	9,320
Electric boiler	TJfuel	67	0	0	0	67	142	209
Total	TJfuel	3,236	10,527	4,119	4,528	22,410	1,414	23,824
of which co-gen.	TJfuel	225	1,032	1,842	2,326	5,425	0	5,425
Discharges								
To air								
NOx as NO ₂	tonnes	211	740	176	549	1,676	102	1,778
SO ₂	tonnes	28	343	0	1.0	372	33	405
Dust	tonnes	22	105	0	2.2	129	1	130
CO ₂ fossil	ktonnes	31	47	227	224	529	12	541
CO ₂ biogenic	ktonnes	254	1077	0	55	1,386	125	1,511
To water								
COD	tonnes	3,366	6,930	1,045	928	12,269	0	12,269
BOD	tonnes	93	660	63	31	847	0	847
Suspended solids	tonnes	279	201	37	87	604	0	604
AOX	tonnes	0	6	0.1	0	6.1	0	6
P	tonnes	3.5	18	2.5	1.7	25.7	0	26
N	tonnes	80.7	122	4.2	3.1	210.0	0	210
Effluent water	Mm ³	12.67	14.68	7.47	4.90	39.7	0	40
Solid waste								
Landfill	tonnes	277	32	0	69,026	69,335	3,070	72,404
Recovery	tonnes	34,057	63,777	133,509	0	231,344	450	231,794
Hazardous	tonnes	92	443	98	0	633	143	776

np = newsprint
sc = SC paper
lwc = LWC-paper
ctmp = chemical thermomechanical pulp
bk = bleached kraft pulp
N/A = data not available



Assurance report

To the readers of the SCA Sustainability Report 2006

At the request of the company management of SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ), we have performed a limited review of all information presented in the tables, diagrams and graphs provided under the heading "Strategy" on pages 12-15, as well as on pages 37, 46-47, of the SCA Sustainability Report 2006. The purpose of our limited review is to express whether we have found any indication that the reporting is not, in all material aspects, performed in accordance with the criteria stated by SCA. The limited review has been performed in accordance with FAR SRS's draft standard on independent limited reviews of voluntary separate sustainability reports.

Sustainability and any reporting thereon is the responsibility of SCA management. SCA's Corporate Human Resources Department has the specific responsibility for the collection of information and the compilation of the results regarding personnel, health and safety in the Sustainability Report. Our responsibility is to express an opinion on the information in the tables, diagrams and graphs in the section "Strategy" on pages 12-15, as well as pages 37, 46-47, of the SCA Sustainability Report 2006, based on our limited review.

The data and information in the tables, diagrams and graphs on pages 12-15 in the section "Strategy" and on pages 37, 46-47 of the SCA Sustainability Report 2006 have been prepared based on SCA's principles for calculation

and disclosure, which together form the criteria on which our limited review has been based.

The scope of our limited review procedures included the following activities:

- Discussions with management to obtain information on material incidents and activities during the period to which the report pertains.
- Review of the principles for calculation and disclosure of the results of the performance indicators.
- Overall review of the Group's systems and routines for the registration, accounting and reporting of performance indicators in tables, diagrams and graphs.
- Visiting certain selected production units and relevant departments, as well as interviews with selected employees at other units, together with visits at Group level in order to assess whether data and information is reported and aggregated in a standardised format and in accordance with established principles, in all material aspects.
- Review of underlying documentation, on a test basis, to assess whether the information in the tables, diagrams and graphs in the section "Strategy" on pages 12-15, as well as on pages 37, 46-47, of the SCA Sustainability Report 2006 is based on that documentation.

We have reported to the Manager of Corporate Social Responsibility Programs on the continuing results of our limited review.

Based on our limited review procedures, nothing has come to our attention that leads us to believe that data and information provided in the tables, diagrams and graphs in the section "Strategy" on pages 12-15, as well as on pages 37, 46-47, of the SCA Sustainability Report 2006, have not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, 27 February 2007

Öhrlings PricewaterhouseCoopers AB



Robert Barnden
Authorised public accountant



Lars-Olle Larsson
Expert member, FAR SRS

Assurance report

To the readers of the SCA Sustainability Report 2006

At the request of SCA's management, we have performed a review of information from SCA's Resource Management System (RMS) provided under the heading "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file "RMS mill data" found on SCA's website on the Internet (www.sca.com/sustainability). The purpose with our review is to express whether we have found any indications that the reporting under the "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file is not, in all material aspects, performed in accordance with the criteria stated below. The review has been performed in accordance with FAR SRS draft standard on independent reviews of voluntary separate sustainability reports (Rev R6).

The SCA Sustainability Report 2006 was approved by SCA's management in February 2007. It is the responsibility of SCA's department for Public and Environmental Affairs to enable reporting of data and information, and its processing, within the RMS. Our task is to express a report on data and information from SCA's RMS based on our review.

Data and information provided under the heading "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file have been prepared based on SCA's principles for calculation and disclosure of RMS data and information. These form the criteria used to evaluate our review procedures.

The scope of our review procedures included the following activities:

- Discussions with Director of Environmental Affairs and chairperson and members of SCA's RMS on risk management issues related to RMS data and information reporting.
- Review of SCA's principles for calculation and disclosure of RMS data and information.
- Discussions with RMS systems owner and systems administrator regarding SCA's systems and routines of data registration for environmental accounting and reporting.
- Visit at a paper mill and interviews in order to assess whether data and information is reported in a standardized format and in accordance with established principles, in all material aspects.
- Review of the scope and limitations of the content of the information given under the heading "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file.
- Review of underlying documentation, on a test basis, to assess whether the information under the heading "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file and in the RMS are based on that documentation.
- Discussions with SCA Director of Environmental Affairs and chairperson for RMS on the results of our review.

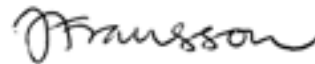
Based on our review procedures, nothing has come to our attention that causes us to believe that data and information provided under the heading "The year at a glance", on page 8 regarding "Goal 1" and "Goal 2" and on pages 49-58 in the SCA Sustainability Report 2006 and in the PDF-file which are extracted from SCA's RMS have not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, February 27, 2007

Deloitte AB



Svante Forsberg
Authorized Public Accountant



Jenny Fransson
Expert member FAR SRS

Glossary

AOX, Absorbable organic halogens expresses the amount of chlorine-bound organic substances. Some of these substances accumulate in fish and fish-eating b AOX.

Bribery is the giving or receiving of any undue reward by or to any person to influence their behavior in a manner contrary to the principles of honesty and integrity.

Business partner A client, customer, or a supplier of the company. Any company that conducts business in association with SCA may be regarded as a business partner.

Child Labor refers to the employment of workers who do not meet the applicable national minimum legal age requirement.

The Code of Conduct is a formal statement of the values and business practices of a company. A code is a statement of minimum standards, together with a pledge by the company to observe them and to require its contractors, subcontractors and suppliers, to observe them.

Compulsory Labor This includes work done in a situation where the workers have to lodge a monetary deposit or identity papers with their employer.

Corporate Social Responsibility (CSR) Managing a company's business processes in a way that creates economic value while also respecting people and communities and minimizing environmental impact.

BAT, Best Available Technology officially used terminology to describe the state-of-the-art technology that industry should use in the field of activity concerned (see IPPC directive and BREF).

BOD, Biochemical oxygen demand Water emission factor which describes the amount of oxygen consumed during biodegradation of dissolved organic matter in effluent water, without describing the specific substances present. High BOD values indicate depletion of the normal oxygen content of the water environment. It is measured over 7 days in SCA's Swedish mills and 5 days in the rest of Europe, in accordance with national legislative systems.

BREF Best Available Technology Reference Document. This document identifies BAT (Best Available Technology) for the 32 sectors selected by the EU, including the pulp and paper industry. All pulp and paper mills with a capacity exceeding 20 tonnes/day should follow the IPPC directive (see IPPC)

Biodiversity A term describing the multitude of life-forms and species (flora and fauna) in an ecosystem. An ecosystem is a biological community living in a particular physical environment.

Benchmarking Method of comparing performance and productivity of manufacturing units. Used extensively by SCA in all its families of operation: paper mills, fluff production units, packaging integrated box plants, combustion plants, etc.

COD, Chemical oxygen demand Water emission factor which describes the amount of oxygen which is consumed when dissolved matter in effluent water oxidizes. High COD values can indicate a risk of depletion of the normal oxygen content in the water environment.

CO₂, Carbon dioxide a gaseous compound emitted naturally through geological activity during the decomposition process and through human activity. Industry and transport and heating/cooling are currently the largest emitters of CO₂.

Carbon trading The trading of carbon emissions credits by companies or, at a different level, by countries, within a global limitation scheme, (designed to achieve global emissions reductions using market mechanisms).

Carbon sink As they grow, forests transform gaseous carbon into solid form, thereby absorbing CO₂ whilst simultaneously producing oxygen. Forests, agricultural land use and the world's oceans are considered to be "carbon sinks" by current science.

Chain-of-Custody The traceability of the origins of a product through all its transformations from raw material to finished product. In the SCA context, Chain-of-Custody certification links SCA's products with its FSC-certified forests.

CHP See Co-generation or Combined Heat and Power.

Chemical pulp Pulp from wood fibers which is processed chemically, normally by cooking.

Chemical Thermo Mechanical Pulp, CTMP A high yield pulp (about 90–95 percent yield from the wood) which is obtained by heating and then grinding chemically pre-treated spruce chips in refining machinery.

Climate Change Also defined as global warming. Human activity contributes to the warming of the global environment and its resulting effects, which range from higher temperatures to eccentric weather patterns and melting of the ice caps.

Co-generation or Combined Heat and Power, CHP Generation of electricity and heat from fuel. Co-generation has higher total efficiency than separated production of thermal energy and electricity respectively.

Containerboard Paper specially manufactured for the production of corrugated board. (See liner and fluting).

Corrugated board Two outer layers of paper with an intermediate layer of fluting. (See liner and fluting).

Council of Europe Not to be confused with the European Commission and its Council of Ministers, grouping the heads of State of the European Union. The Council of Europe, based in Strasbourg, comprises 46 Western and Eastern Europe countries. It was set up to defend human rights, parliamentary democracy and the rule of law, develop continent-wide agreements to standardise social and legal practices and promote a European identity with shared values.

Dow Jones Sustainability Index It is the share index of companies that are considered leaders in the area of sustainable development and that conduct their businesses accordingly.

EDANA International association serving the non wovens and related hygiene industries. EDANA exists to create the foundation for sustainable growth of the nonwovens and associated hygiene industries through active promotion, education and dialogue. Website: www.edana.org and www.hapco.edana.org

EMAS Eco-Management and Audit Scheme created by European Council Regulation.

Environmental Management System That part of the overall management system which includes the structure, practices, procedures and resources for the systematic implementation of the organization's own environmental policy.

EPD, Environmental Product Declaration type of product labelling.

ESAVE Structured energy-saving programme introduced by SCA in its energy intensive manufacturing units in 2002. Its aim is to substantially reduce the consumption of energy in production units.

ETS, Emission Trading Scheme (or System) greenhouse gas emission allowance trading scheme for the cost-effective reduction of such emissions in the European union, made in the context of the Kyoto Protocol. Installations operating in the paper and board industry, in the energy sector, iron and steel production and the mineral industry apply ETS as of January 1st, 2005 in two initial phases; from 2005 to 2007 and from 2008 to 2012. CO₂ emissions are subject to permits and fines (if emissions are above the cap set for the operation). The "allowance" means the entitlement to emit 1 tonne of carbon dioxide.

ETS, European Tissue Symposium organisation based in Brussels made up of European Tissue producers, engaged in a dialogue with the European Commission, the Council of Europe and other international organisations. ETS has been involved in the development of the recently published Council of Europe Guidelines For Tissue Paper Kitchen Towels and Napkins.

Fluting The rippled middle layer in corrugated board packaging.

Forced Labor This includes indentured, debt bondage or involuntary labor of any kind.

Freedom of Association refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organize or bargain collectively.

FR, Frequency Rate The number of accidents/incidents per million hours worked. It is an indicator of Safety statistics in industry (also see LTA and Incidence Rate).

Fresh wood fiber Also referred to as virgin fiber. First generation use of raw material derived from wood.

FSC, Forest Stewardship Council an international organization promoting responsible forest management. FSC has developed principles for forest management used for certifying the management of forest holdings, and a system of tracing, verifying and labelling timber and wood products which is based on FSC-certified forests. SCA is an active supporter of FSC.

Green energy In the case of SCA, energy produced by burning recovered waste products such as bark, sawdust, plastic rejects, production sludge or other materials.

GWh Gigawatt hours, unit of energy measurement (electricity and heat). 1GWh=1 million kWh.

HAPCO Hygiene Absorbent Products Manufacturers Committee; a group member of EDANA, of which SCA is an active member; Website: www.hapco.edana.org.

Human Rights are based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family, and are the foundation of freedom, justice, and peace in the world. They are defined in the Universal Declaration of Human Rights (1948).

Incidence Rate, IR Number of incidents per 100 employees. Also see LTA's and Frequency Rate.

International Labor Organization, ILO The International Labor Organization is a United Nations Agency, which establishes Conventions on Labor standards that are binding on member states when ratified. There are over 150 ILO Conventions, 8 of which are "Core Conventions" since they embody fundamental human rights and set minimum labor standards.

IPP, Integrated Product Policy In a communication published in June 2003, the EC states that "its primary aim is to reduce the environmental impacts of products throughout their life cycle, harnessing where possible a market driven approach within which competitive concerns are integrated". The IPP encourages "green products," "green" public procurement and eco-labelling.

IPPC The European Union's Integrated Pollution and Prevention Control directive (96/61/EC).

ISO 14001 The standard published by the International Standards Organization, specifying the requirements of an environmental management system. All SCA European mills are certified ISO 14001.

Kraftliner Packaging paper made of fresh wood, as opposed to testliner and fluting (recycled).

Kyoto Protocol United Nations framework convention on climate change. Voluntary agreement between industrialised nations, ratified by Europe and the object of European directive 2003/87/EC, to reduce by 2012 the levels of man-made CO₂ below the level reached in 1990.

Leach/Leachate The percolation of liquids through the earth. The leaching natural process can pollute underground water or surface water which is situated below a retention basin of wastewater or a landfill which is biologically active for example.

LWC paper, Light Weight Coated paper is a coated paper with a high mechanical pulp content. Used for high quality magazines and advertising materials with demanding colour-printing requirements.

Life Cycle Assessment, LCA A method of assessing the environmental impact of a product, taking account of its entire lifespan from raw material extraction to waste disposal. The process is described in the ISO14040 series. SPINE is the common database enabling comparison between product elements.

Liner The surface layer of corrugated board. Available in various grades, such as kraftliner (based on fresh wood fiber) and testliner or fluting (based on recycled fiber).

Liquor Substance(s) used in or resulting from chemical pulp production. White liquor is the cooking liquor (sodium hydroxide and sodium sulphide). Black liquor is the waste liquor from the completed production cycle. Most of it is re-used as fuel and burnt in the recovery boiler. Green liquor is an aqueous solution, the residue of burning the black liquor.

LTA, Lost Time Accidents Accidents that cause the absence of an employee from work for X number of days. One of the main Safety indicators in industry. See also FR (Frequency rate) and Incidence Rate (IR).

MBT, Mechanical-biological treatment hybrid technology combining mechanical sorting of waste and biological treatment to produce biogas. A further processing stage can convert the residual material into refuse-derived fuel.

Mechanical pulp Debarked wood which is ground or chipped for mechanical refining to separate the fibres which form pulp.

Monitoring is the process of regularly collecting information to check performance against certain criteria.

MSW, Municipal Solid Waste an important fraction (15%) of the total solid waste. Disposable diapers and incontinence products are part of the MSW.

N, Nitrogen A chemical element, also present in wood, that is necessary for plant and animal life. Excess N in water can cause major increases in the amount of algae, which can lead to oxygen deficiency when the algae decompose.

Newsprint Paper for newspapers produced from mechanical pulp based on fresh fibre or recovered fibre.

Non-governmental Organizations (NGOs) are national, international, and community based groups that raise awareness about social, environmental, community and human rights issues.

Old Corrugated Container, OCC Used corrugated board collected for recycling.

Opacity Degree to which something is opaque.

P, Phosphorus A chemical element, also present in wood, that is necessary for plant and animal life. Excess P in water can cause nutrient enrichment.

PSR, Product Specific Requirement (also see EPD, Environmental Product Declaration) List of requirements enabling SCA to label its products in an accurate and informative way, avoiding unverifiable labelling.

RAP, Regulatory Affairs Platform The network keeps and updates the list of SCA representatives in organisations at EU and national levels. It is in charge of communicating and defending SCA positions to lawmakers directly and through industry organisations.

REACH, Regulation, Evaluation and Authorization of Chemicals European legislation on the use of chemicals by industry. Some 30,000 chemicals will have to be registered with a Central European chemical agency after testing. Companies will have to obtain authorization to use hazardous chemicals.

RMS SCA's Resource Management System: a means of collecting and collating all environmental data and resource utilization within the SCA Group.

Recovered fiber Paper-making fiber derived from a secondary source, such as used paper and board, used for recycling.

Renewable All materials which can be re-grown or produced without depletion of natural resources.

SC paper, Super calendared publication paper with a high gloss surface and with a high content of mechanical and/or recycled pulp. Mainly used for catalogues, magazines and advertising materials.

SRI, Socially-responsible investment a method of selecting stocks for investment using criteria related to a company's environmental, social and ethical performance.

Sludge Residue from the production of paper; consists of inert materials, mainly small fibre debris, filler and other inert materials. It used to be sent to landfill. Nowadays used as 'new' raw material and incinerated with energy recovery.

Solid-wood products Wood sawn into various dimensions and sizes for furniture, joinery and construction use.

Stakeholders Groups of people with whom an organization has active relationships, and with whom effective dialogue is necessary to the functioning of the business. Shareholders, authorities, customers, employees and NGOs are all stakeholders in SCA's business activities.

Sustainable Development Bringing into decision-making processes the three interlinked factors – economic growth and social and environmental care – which enable society to meet the needs of the present without compromising the needs of future generations. Also referred to as the "triple bottom line".

TCF, Totally Chlorine Free Paper pulp which is bleached without using chlorine in any form.

TMP, Thermo Mechanical Pulp A high yield pulp (about 90-95 percent yield from the wood) which is obtained by heating spruce chips and then grinding them in refiners.

TJ, Terajoule a unit used to measure energy (fuel).

Testliner Packaging paper made from recycled fibre.

Tissue Creped soft paper which is the basis for hygiene products such as napkins, toilet paper and towels, and towelling products for institutions, hotels, etc.

TWh, TeraWatt hour Unit of energy measurement. 1 TWh=10 Million KWh

Waste To SCA, waste comprises only materials leaving our production units which cannot be used for any further useful purpose. Recovered paper and fibre are excluded, since they form part of SCA's main raw materials.

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