



**SCA**  
*Care of Life*

SUSTAINABILITY  
REPORT

**2014**



**“At sea, everything needs to work – 24 hours a day.  
That includes hygiene!”**

Team SCA – SCA’s female crew in the Volvo Ocean Race

# AMAZING WOMEN EVERYWHERE



## About the campaign

SCA supports women's empowerment and their freedom to participate fully in society. We want to enable women to play an active role in arenas normally reserved for men and our participation with a female crew, Team SCA, in the world's toughest ocean race – the Volvo Ocean Race – is an example of our commitment to this. As part of this initiative, we launched the Amazing Women Everywhere website, which celebrates amazing women who have had a positive influence on others. For nine months, Team SCA's journey, which has been characterized by challenges and hard work, will inspire millions around the world. Our goal is to gather stories from across the globe and inspire others by showing that amazing women can be found everywhere.

## For a good cause

For every story of an inspiring woman uploaded to the Amazing Women Everywhere website, SCA will donate EUR 1 to the World Wide Fund for Nature (WWF). This is an expression of our commitment to creating value for people and nature. WWF's mission is to stop the degradation of our planet's natural environment, and build a future in which humans live in harmony with nature.



<http://www.teamsca.com/awemosaic>



## How to read the SCA Sustainability Report

This year, the SCA Sustainability Report is divided into two sections: an overview and an in-depth section. This is intended to make reading easier, regardless of what information about SCA's sustainability work you are seeking.



# 1

Section 1 provides an overview of SCA's sustainability work. Here, you will find an introduction to the most important elements of SCA's sustainability work and selected highlights.



# 2

Section 2 provides the opportunity to delve deeper. Here, you will find detailed information about SCA's sustainability governance and results.

### About this report

SCA's yearly sustainability report describes the environmental, social and economic perspectives of SCA's sustainability initiatives over the 2014 calendar year. The report has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, G4 core, and constitutes SCA's Communication on Progress to the UN Global Compact. The entire report has been reviewed by PwC. For further information regarding the sustainability report and its reporting principles, see page 61.

# SCA

## SCA is a leading global hygiene and forest products company that develops and produces sustainable

Personal Care,  
Tissue and  
Forest Products.

44,000 employees

Sales of SEK 104bn

Sales in about 100 countries

### Strong brands





## Personal Care

The business area comprises three product segments: incontinence products, baby diapers and feminine care. Production is conducted at 29 facilities in 24 countries.

Share of Group  
Net sales



30%

Share of Group  
Operating profit,  
excl. items affecting  
comparability



28%

## Tissue

The business area comprises two product segments: consumer tissue and Away-from-Home (AfH) tissue. Production is conducted at 56 facilities in 19 countries.



54%



52%

## Forest Products

The business area comprises five product segments: papers for packaging and print, pulp, solid-wood products and renewable energy. Production is conducted at 18 facilities. Products are mainly sold in Europe, but also in Asia, North Africa and North America.



16%



20%

## Sales and employees by geographic region

Europe (including Africa)	2014
Net sales, SEKm	69,543
Average no. of employees	22,985
Women, %	24
Americas	2014
Net sales, SEKm	21,072
Average no. of employees	11,103
Women, %	36
Asia	2014
Net sales, SEKm	13,439
Average no. of employees	10,159
Women, %	50
SCA Group total	2014
Net sales, SEKm	104,054
Average no. of employees	44,247
Women, %	32



## Recognition



SCA's initiatives and results have gained recognition – SCA is included in a number of sustainability indexes and has received several prestigious awards.

SCA plays an active role in leading organizations at the global, regional and local level with the aim of contributing to a sustainable future for companies, society and the environment.

## Membership



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**People & nature innovations**



**Hygiene solutions**



**Climate & energy**



**Water**



**Code of Conduct**



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**Fiber sourcing & Biodiversity**

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# BUSINESS VALUE

## and social value go hand in hand

For SCA, there is a clear link between business value and social value. We create value for our customers and shareholders while interacting with society and creating value for people and nature.

In times of political unrest, and with a sluggish trend in European economies, the corporate role in society is – if possible – of even greater significance. Sustainability is central to our society and, to be relevant, it must be an integral part of SCA and of our business model. This requires a long-term perspective, responsiveness and continuous efforts to improve. Listening to our stakeholders will build SCA's business in tune with the communities we operate in and contribute to SCA's favorable economic performance and that of our shareholders and customers. We do this as part of commitment to the principles of the UN Global Compact, to which we became a signatory in 2008.

One example of this is our policy governing the use of business aviation, which was updated last year. We are also examining the distribution of travel between company jet and scheduled flights, and already have a different distribution than we had a few years ago.

How we work with incontinence care solutions at nursing homes is a good example of value creation. We do a comprehensive benchmark analysis of each nursing home's specific needs in order to develop the optimum solution for processes, and products, etc. A study of 180 nursing homes shows that our solutions result in less leakage and skin irritation for care recipients. In turn, this gives staff more time to provide valuable care, and costs are reduced, as are laundry and waste.

Other examples are when we develop and invest in new technology to make production more environmentally friendly while reducing costs. In Nokia, Finland, we are investing in energy production from biofuels, which, in addition to cost savings, also reduces CO<sub>2</sub> emissions by 40%.

We made significant steps during the year in relation to our ambitious sustainability targets. We have reduced fossil CO<sub>2</sub> emissions in production by 15.3% and are thus making good

progress toward our goal of achieving a 20% reduction by 2020. It is particularly pleasing that we reached our health and safety target – to reduce the accident frequency rate by 25% by 2016 – one year ahead of schedule. This is an important step toward achieving zero workplace accidents, a vision that states that no one should have to worry about injuring themselves at work.

I'm also proud of progress made in emerging markets and would like to highlight India, where we launched our business as recently as 2013. In line with our goal to increase awareness of hygiene, sanitation and health in all our markets, in 2014, we reached 2,300 doctors, 5,000 hospitals and clinics and 1.2 million mothers and children with parental guidance, as well as eight million people with information on the importance of good hand hygiene. The initiatives offer us the opportunity to establish a presence in India while contributing to improved health and thus saving lives through improved hygiene awareness.

During the year, SCA also entered into a partnership with the UN body WSSCC (Water Supply and Sanitation Collaborative Council). Through the partnership, SCA and WSSCC want to break the taboo surrounding menstruation that endangers the health of millions of women every day, and increase awareness of the importance of good hygiene. Many young girls worldwide are unaware of what happens in the body or how they should manage their hygiene when they get their first period. This collaboration has resulted in a number of activities. For example, we educated young girls and a number of volunteers from townships outside Cape Town in South Africa in connection with a stopover for our Team SCA competing in the Volvo Ocean Race.

I feel a great sense of pride in what we at SCA have achieved together. The company has a great deal to offer the millions of people across the globe and I am convinced that SCA will continue to create substantial value for customers, employees, owners and society. With these words, I am handing over the reins to Magnus Groth, who will assume the role of President and CEO as of March 1, 2015.

Jan Johansson  
President and CEO  
February 2015





# SUSTAINABLE SOLUTIONS

## for improved everyday life

Using an approach in which economic, environmental and social responsibility are equivalent building blocks, SCA creates the potential for enhanced prosperity and quality of life.

In recent years, many voices have underlined the decisive role of business and industry in finding solutions to situations in which the political processes are too slow, such as in relation to the problem of climate change. At SCA, we are accustomed to viewing problems as opportunities, not least because a solution often means an opportunity to win new customers or reduce costs. That it also solves a social problem and creates value for other stakeholders adds a further dimension. Consequently, at SCA sustainability is an integral part of our business model.

Our targets combine to represent a central driver for our sustainability activities and I am proud that we have demonstrated healthy progress in many areas. During the year, we fulfilled our employee health and safety target and, once the wastewater treatment plant in Kunheim, France, is operational in 2015, we will also have achieved both of our water targets. Unfortunately, our biofuel target is proving difficult to meet on account of the prevailing market conditions, which do not favor increased biofuel production.

We only have one planet and we must nurture it and be frugal with its resources. Our ESAVE energy-saving program is a good example through which, since 2003, we have significantly reduced costs and environmental impact. In 2014, we launched MSAVE, which represents a further step in this direction, and focuses on the reduction of raw material consumption.

Libresse Roll.Press.Go, which makes it easier to manage used sanitary pads, is an example of an innovation that makes everyday life easier. Consumer surveys indicate that women worry if it is noticeable that they are menstruating, and the disposal of a used pad is perceived as cumbersome. Libresse Roll.Press.Go solves that problem for our consumers.

As a leading global hygiene and forest products company with 44,000 employees and sales in 100 countries, SCA bears a major responsibility

for our impact on the environment and the communities in which we operate. SCA's strong sustainability efforts have been recognized by several international sustainability rankings. We can be proud of these successes.

Reporting in the Sedex ethical database, our Global Supplier Standard and comprehensive audits are a number of tools we have developed to ensure compliance, and these are issues with which we will continue to work intensively. Sustainability is not a static state but something we constantly have to work on to remain socially relevant.

Sustainability should permeate the entire value chain – from concept to finished product – through people and nature innovations as well as training in and monitoring of the Code of Conduct. Moving into 2015, I look forward to working with SCA employees around the world in developing our products and practices so that we can continue to help make the world a better place.

Kersti Strandqvist  
SVP Group Sustainability  
February 2015



# THE SCA SUSTAINABILITY EFFECT

Care and respect for people and nature are absolutely central to SCA's way of working. This is the lens we use to view the world – from the big picture right down to the finer points of harvesting a forest, testing an innovation or designing a new diaper. It means that we constantly challenge ourselves to deliver solutions that make a difference to everyday life. And we have found that you can achieve a lot when living our values of respect, excellence and responsibility.

## 1 SCA STEP BY STEP TRENDS AND DRIVERS



Global macrotrends, from population growth and higher standards of living to resource shortages and climate change, have a major impact on SCA's business operations. We have identified a number of macro-economic drivers that we believe to be the most relevant to our business. By analyzing our operating environment and these drivers, we can leverage opportunities and avoid risks associated with them. The macrotrends we have identified as the most relevant to our business are:

- The world's growing and aging population.
- The global trend of decreasing poverty levels and growing middle class.
- The large proportion of the world's population that does not have access to hygiene and sanitation.
- A world that is changing as a result of, for example, globalization, urbanization, political decisions, the global economy and legislation.
- Changed customer and consumer behavior as a result of such factors as sustainable consumption, new technologies and a greater awareness of the brand.
- Climate changes.
- Scarcity of the earth's natural resources when they have to be shared by a growing number of people.

The macrotrends above are described in more detail on page 11 of SCA's Annual Report.



# 2 SCA STEP BY STEP DIALOG WITH THE SURROUNDING WORLD

Millions of people across the globe have an impact on and interest in our business. We have to act in harmony with the society in which we operate in order to remain relevant, and an

ongoing and close dialog with stakeholders helps us understand what expectations there are of us as a company. This also helps us understand our customers' and consumers'

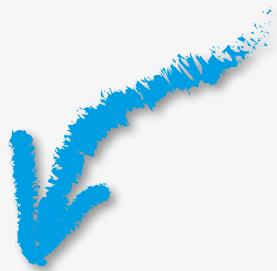
needs, build long-term relationships and formulate and implement our business strategy. Read more on page 31.



In September 2014, SCA participated in a round table discussion in Stockholm with representatives from the Indian Ministry of Health and Family Welfare. A delegation led by one of the highest officials, Additional Secretary Dr. Arun Kumar Panda, visited Sweden to discuss Sweden's and India's Memorandum of Understanding (MoU) in the area of health.

"Asda's and SCA's relationship is more of a partnership. It has developed over time and is transparent, collaborative, challenging in the right way, and there is a high level of mutual respect," says Paul Gillow, Senior Director of the Asda retail chain in the UK. More customer comments can be found on pages 8–9 of SCA's 2014 Annual Report.

Together with a number of forest companies and organizations, SCA is conducting a project to develop the dialog between the forest industry and reindeer herders. In 2014, a total of 139 forestry staff and 60 reindeer herders received training on 15 occasions.



# 3 SCA STEP BY STEP OUR CROSS-ROADS

Our materiality analysis highlights the issues that are significant to SCA and our stakeholders. It forms the basis of SCA's strategy and sustainability program. The analysis is based on a survey of 1,500 internal and external stakeholders. Read more on page 33.



# 4 SCA STEP BY STEP STRATEGY

SCA's strategy is based on a sustainable business model where value creation for people and nature is put on a par with growth and profitability. We believe this approach ensures success both in the short and long term.

SCA's sustainability strategy is an integral part of the business strategy that builds on the strategic priorities of growth, innovation and efficiency. SCA has developed a number of sustainability ambitions that describe where we want to be and how we want to be perceived in the long term.

**Strategic priorities:**

## Growth



When we grow, more people gain access to our products, services and our knowledge at the same time as we contribute to a higher quality of life. We will defend and strengthen SCA's position in mature markets in parallel with developing our positions in selected emerging markets. Read more in SCA's 2014 Annual Report on pages 14–19.

## Innovation



SCA's foremost priority is to ensure that our customers and consumers are satisfied. Innovation is required if SCA's offering is to meet current and emerging needs, and we therefore work continuously to develop and differentiate our products and services. Innovations help us retain and strengthen our market positions, build stronger brands and drive growth. Read more in SCA's 2014 Annual Report on pages 20–25.

## Efficiency



A more efficient business means that we are economical with the earth's scarce resources at the same time as we reduce our costs and increase capital efficiency. We focus on continuous improvements so that our impact on the environment is as small as possible. Read more in SCA's 2014 Annual Report on pages 26–29.

## People ambitions

**We build our position as one of the most trusted companies in the world**, delivering sustainable growth and value for our stakeholders.

**We improve hygiene standards worldwide with our hygiene solutions.** For the millions of existing users of our products and services, and for the billions of people in emerging markets, we develop innovative solutions that make it easier to live healthy, sustainable lives.

**We support women's empowerment** and their freedom to participate fully in society – socially, educationally and professionally – across the world by giving them access to and education about hygiene solutions.

## Nature ambitions

**We deliver sustainable solutions** with added value for our customers based on safe, resource-efficient and environmentally sound sourcing, production and development.

**We combat climate change and minimize our impact on the environment** through a combination of new innovations and technologies, efficiency gains, consumer initiatives and carbon sequestering in our forests.

**We care for the forests with all of their biodiversity** and we are committed to managing and utilizing them responsibly. We aim to maximize the benefits our forest have on our ecosystem, climate, customers and society, through a combination of innovation, efficiency gains and wise and long-term management.

# 5 SCA STEP BY STEP TARGETS & OUTCOMES

SCA has established Group-wide economic, people and nature targets. Ambitious, clear targets drive and govern the business and make it easier for the market to understand how sustainability work contributes to the business. In 2014, we achieved our health and safety target to reduce the accident frequency rate.

Read more on page 8–9.

- People & nature innovations
- Hygiene solutions
- Code of Conduct
- Employee Health & Safety
- Climate & energy
- Water
- Fiber sourcing & Biodiversity
- Financial targets

# SCA's VALUE CHAIN

SCA identifies and works with relevant environmental, social and economic issues by considering the entire value chain. Understanding SCA's impact on the surrounding world and engaging in a dialog with our stakeholders helps us to prioritize correctly so that we can minimize the company's negative impact and maximize the positive value for our shareholders.

## RESPONSIBILITY THROUGHOUT THE CHAIN

Sustainability, product quality and product safety are highly significant factors for SCA's customers and consumers and are thus decisive drivers in SCA's innovation activities. Using the products' entire life cycle as a basis, we strive to achieve resource efficiency and reduced environmental impact, as well as contributing to people's quality of life. Transactions characterized by a high degree of integrity and respect for human rights represent funda-

mental values in SCA's activities and Code of Conduct. We monitor our own business and corresponding activities are carried out by our suppliers. This also encompasses the health and safety of employees. By ensuring that we have safe employees who are highly familiar with the applicable health and safety procedures, we reduce the number of injuries in the workplace and enhance productivity.



## TRANSPORT ACTIVITIES

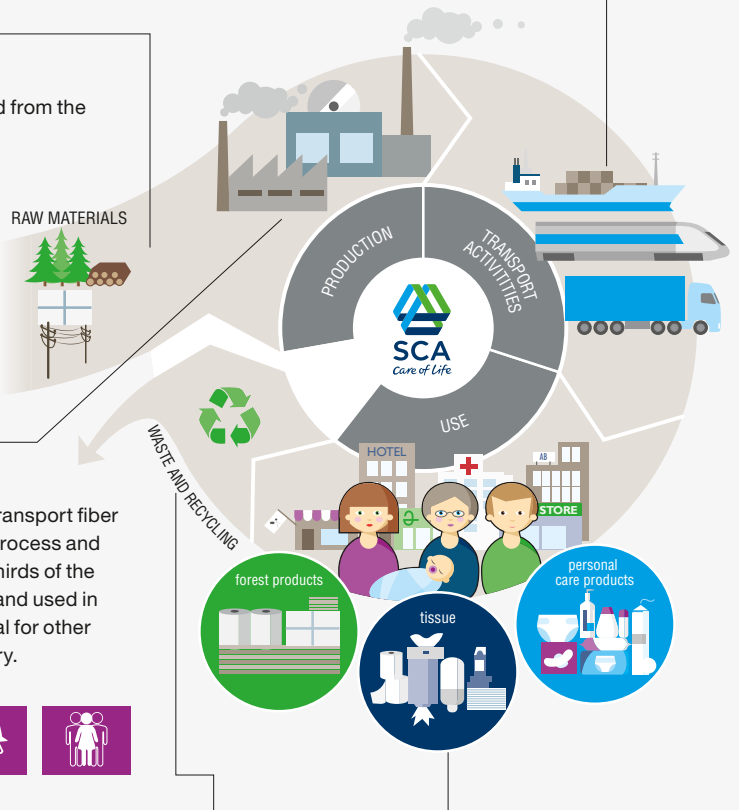
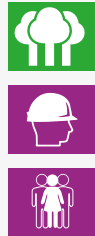
Transport activities account for approximately half of SCA's direct CO<sub>2</sub> emissions. More efficient and coordinated freight, more compact packaging and eco-driving are some of the methods used by SCA to reduce its environmental impact.



## RAW MATERIALS

SCA uses large volumes of raw materials. SCA works throughout the supplier chain to guarantee responsible raw material sourcing and imposes strict demands on raw material suppliers. The bulk of the impact from personal care products occurs in the raw material phase, that is, at the suppliers. The aim is to decrease the use of raw materials in SCA's products, thereby reducing the environmental impact. About half of the wood raw material used by SCA in its forest

products operations is derived from the Group's own forests.



## PRODUCTION

The manufacture of SCA's products is energy intensive, particularly for tissue. The Group's use of fossil fuels and purchases of electricity are the major sources of its CO<sub>2</sub> emissions.

In addition to climate and energy, SCA's impact and sustainability work in the production phase is focused on water, health and safety, and the issues and requirements expressed in the Group's Code of

Conduct. SCA uses water to transport fiber during the paper production process and as cooling water. About two-thirds of the production waste is recycled and used in new products as a raw material for other industries or in energy recovery.



## USE

SCA's products are available in about 100 markets and are distributed in a number of ways, from small convenience stores in rural areas to supermarkets, hospitals and healthcare centers, restaurants and pharmacies. Millions of people use SCA's products on a daily basis, which is why SCA invests considerable time and energy to

make the product's functional and environmentally compatible. With respect to our hygiene solutions, we endeavor to make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life.







## WASTE AND RECYCLING

SCA's products are largely of a disposable nature and we endeavor to minimize the amount of waste they create. SCA is participating in projects aimed at identifying new ways of reducing consumer waste.



# TARGETS & OUTCOME

Measurable targets and follow-up are key drivers for SCA's sustainability programs. Transparent targets makes it easier for internal and external stakeholder to monitor progress.

<p><b>People &amp; nature innovations</b></p> 	<p><b>Hygiene solutions</b></p> 	<p><b>Code of Conduct</b></p> 	<p><b>Employee Health &amp; Safety</b></p> 
<p><b>TARGET</b></p> <p>We will deliver better, safe and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the whole life cycle for new innovations.</p>	<p><b>TARGET</b></p> <p>We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. In markets in which we operate we will:</p> <ul style="list-style-type: none"> <li>• Provide information on hygiene matters around our products and services.</li> <li>• Strive to implement education programs for girls, women and caregivers.</li> <li>• Strive to offer the best value for consumers making hygiene solutions affordable to everyone.</li> </ul>	<p><b>TARGET</b></p> <p>We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.</p> <p>Our SCA supplier standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by the end of 2015.</p>	<p><b>TARGET</b></p> <p>Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011–2016.</p> <p>OHSAS 18001 will be implemented at all main sites by 2016.</p>
<p><b>OUTCOME 2014</b></p> <p>We launched several sustainable innovations, such as Libresse Roll, Press.Go, Tork EasyCube, Tork Xpressnap Image Line Dispenser, TENA Pants Normal, TENA Comfort with ConfioAir and TENA Slip.</p> <p>Status: ●</p>	<p><b>OUTCOME 2014</b></p> <p>SCA held the number one or two position in at least one hygiene product segment in about 90 countries.</p> <p>Around 400 million people used SCA's products every day.</p> <p>The hygiene educational programs SCA conducts worldwide reached 2,000,000 people.</p> <p>We offered a broad portfolio of products ranging from the premium segment to the economy segment.</p> <p>Status: ●</p>	<p><b>OUTCOME 2014</b></p> <p>93% (91) of employees received Code of Conduct training.</p> <p>Status: ●</p> <p>71% (75) of SCA's global hygiene supplier base and 83% (60) of the forest product's supplier base had signed the SCA Global Supplier Standard.</p> <p>Status: ●</p>	<p><b>OUTCOME 2014</b></p> <p>The accident frequency was 6.7 (8.4) per million hours worked. Compared with the reference year 2011, this is a decrease of 26%.</p> <p>Status: ●</p> <p>By the end of 2014, 51% (45) of SCA's 67 main sites were certified according to OHSAS 18001.</p> <p>Status: ●</p>
<p><i>Read more on pages 12–13 and 36–37.</i></p>	<p><i>Read more on pages 14–17 and 37.</i></p>	<p><i>Read more on pages 18–19 and 38–40.</i></p>	<p><i>Read more on pages 20–21 and 41–42.</i></p>

**Status:**

- = Not according to schedule
- = Not according to schedule, actions identified
- = According to schedule

### Climate & energy



**TARGET**

We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.

We will triple our production of bio-fuels from our forests by 2020, with 2010 as reference year.

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

**OUTCOME 2014**

At year-end 2014, CO<sub>2</sub> emissions in relation to the production level had declined by 15.3%, compared with the reference year of 2005.

Status: ●

SCA's production of biofuel from its own forests amounted to 687 GWh (870 in the reference year 2010).

Status: ●

Wind energy from SCA forest land totaled 1.1TWh (0.75).

Status: ●

*Read more on pages 22–25 and 45–46.*

### Fiber sourcing & Biodiversity



**TARGET**

We will achieve and maintain our target of zero fresh fiber-based material from controversial sources\*, including pulp.

We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.

**OUTCOME 2014**

All deliveries of pulp to SCA's facilities meet the requirements of the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.

Status: ●

7% of SCA's productive forest land has been set aside from forestry in the long term in our ecological landscape plans. In 2014, 14% of the area in planned harvesting sites was set aside for preservation.

Status: ●

*Read more on pages 26–27 and 47–48.*

### Water



**TARGET**

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as reference year.

All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

**OUTCOME 2014**

By year-end 2014, water usage in water-stressed regions in relation to the production level had declined by 13.7%, compared with the reference year of 2010.

Status: ●

Mechanical and biological effluent treatment systems have been, or are in the process of being, installed at all of the Group's 43 pulp and paper mills.

Status: ●

*Read more on pages 28–29 and 48–49.*

### Financial targets



**TARGET**

The target for return on capital employed is 13% over a business cycle.

Personal Care is to deliver annual organic growth of 5–7%, while the figure for Tissue is 3–4%. Forest Products is to grow in line with the market.

The target for the debt/equity ratio is 0.70 and the debt payment capacity is to exceed 35% over a business cycle.

**OUTCOME 2014**

The overall return on capital employed was 11% (11), excluding items affecting comparability.

Organic growth was 3% for Personal Care and 1% for Tissue (3% including Vinda). Forest Products grew by 10%.

At year-end, the debt/equity ratio amounted to 0.49 (0.50) and the debt payment capacity was 39% (38).

*Read more on page 12 of the Annual Report.*

\* Controversial sources are defined as:  
 - illegally logged timber,  
 - timber from forests with a high conservation value, and  
 - timber from areas where human rights or traditional rights of indigenous people are being violated.

# SATISFIED CUSTOMERS AND CONSUMERS

SCA's products and services are there for customers, consumers and users. Our success hinges on how well we understand the needs of these individuals, exceed their expectations and handle dissatisfied customers.

Customer understanding and consumer insight determine the innovations we develop and how we deliver finished products and services to the market. We monitor our operating environment to identify changes in behavior and actively look for opportunities to observe the actual behavior of consumers and customers. This is realized in a number of ways, including home visits by SCA,

inviting focus groups to meetings and through in-depth interviews. Many valuable insights and ideas are identified in dialogs with SCA's sales representatives. We also gain insight into consumers' lives and perceptions of the Group's products by following the discussions on our own websites like [www.libero.com](http://www.libero.com) and [www.girls1st.com](http://www.girls1st.com) or social media.

## WHAT DO CUSTOMERS THINK?

To improve our offering, we must gain an understanding of what customers and consumers consider to be our strengths and weaknesses. Customer surveys are a tool for improving our knowledge and we measure customer satisfaction using what is known as a Net Promotor Score (NPS). In 2014, for example, our incontinence operations in Europe sent out 3,300 surveys to customers, which indicated that our NPS had improved significantly compared with the previous year.

### Satisfied customers

SCA works in close cooperation with its customers, gaining a number of awards and recognitions from satisfied customers each year. In North America, we received the following distinctions:

- "Award of Excellence" from Tim Hortons, Canada's largest fast food chain
- "Supplier of the Year" from the distributor Bunzl
- "Outstanding Supplier" from the food equipment distributor Edward Don & Company



Keith Marcoe, Chief Operating Officer, Network; Don Lewis, President, SCA Americas; Bob Mitchum, Chief Executive Officer, Network; Joe Russo, Vice President, Sales & Marketing, AfH Professional Hygiene – North America.

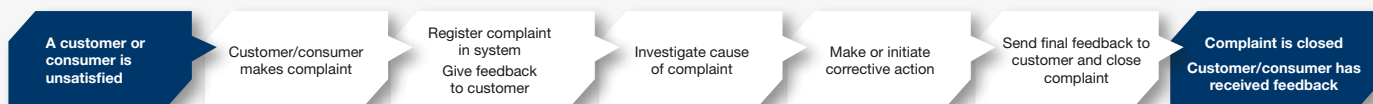
## Turning frustrated customers into loyal customers

It takes five times as much work to attract a new customer as it does to retain an existing one. Armed with this knowledge, SCA has established a global system for handling customer and con-

sumer complaints. The basic principle is that dissatisfied customers and consumers are to be compensated immediately. Complaints are also a valuable source of information about customer

expectations and experiences. It is crucial that this knowledge is passed on throughout the company and used, for example, in product development.

### Complaints handling







## Innovative approaches to engaging consumers

From newcomer to the number two brand in the market in just four years. The introduction of SCA's Libresse brand in Malaysia is a success story anchored in customer and consumer insight and innovative solutions.

"We probably dedicated 80% of the time prior to launch to understanding our consumers and competitors. We also leveraged the learning and experiences gained in other markets where SCA has a presence in the feminine care category," said Su Ting Nee, Vice President SCA Hygiene Southeast Asia. "I believe that this had a major impact on our success."

The analysis revealed that Malaysian consumers purchase feminine care products habitually. To break this routine and create genuine brand preference, Libresse adopted a

differentiated challenger role that interacts and engages with consumers.

To stand out in this highly competitive market, SCA engaged four Malaysian celebrities and built a brand story around them based on their strong personalities. The spokespersons personalized Libresse's motto of "dynamic and confident." Larger test packs of Libresse products were developed based on the insight that consumers need more than two sample pads – a typical test-pack format in the local market until that time – to truly experience a new product. Marketing efforts were directed to focus on the target groups considered most likely to try out new feminine care brands, such as young women in college and universities.

## Lightning-quick fast food service

Since drive-through service accounts for 50–70% of sales in American fast food restaurants, it is crucial that food is served quickly, efficiently and hygienically. In close cooperation with its fast food customers, SCA developed Tork Xpressnap Drive Thru – a napkin dispenser that allows users to take two or four napkins at a time. When the new dispenser was tested in a number of fast food restaurants, napkin consumption decreased significantly.



## PROFESSIONAL INCONTINENCE CARE IMPROVES QUALITY OF LIFE

Estrids Gård residential care facility in Knivsta, Sweden, is among those that have turned to SCA and TENA for help in improving its incontinence care and making life more pleasant for its elderly residents. This partnership has yielded results in the form of better sleep for the residents, less laundry and reduced costs.

TENA's initiatives are always structured and fact-based – a needs analysis is carried out, improvement areas are identified and an action plan is established. All employees at Estrids Gård received training in individual incontinence care. Measurements were then performed to determine the extent of the urinary incontinence and a continence care plan was prepared for each individual, including both incontinence products and a toilet assistance schedule.

### Benefits for all

TENA's initiative at Estrids Gård yielded results almost immediately. The benefits for the residents are obvious – less leakage outside the incontinence pad, better sleep and improved well-being. The employees at the facility also noticed benefits – instead of washing and changing bedding, they now have more time to devote to the residents. Facility Manager Monica Södergård is very pleased with the project and the results achieved. "For us, the most important and

significant result is the positive impact that this change program has had on the quality of life and well-being of our customers. The number of leakages outside the pads has decreased sharply and all customers now have individually adapted continence care products based on their personal needs. In addition, less waste and laundry are being generated, which is advantageous from an environmental perspective. And finally, our costs for incontinence aids have declined by about SEK 40,000 annually."



# INNOVATION

for people and nature

## TARGET

We will deliver better, safe and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the whole life cycle for new innovations.



## OUTCOME 2014

We launched several sustainable innovations, such as Libresse Roll.Press.Go, Tork EasyCube, Tork Xpressnap Image Line Dispenser, TENA Pants Normal, TENA Comfort with ConfioAir and TENA Slip.

At SCA, our goal is to simplify and improve the lives of millions of people. All of this begins and ends with innovation.

## Our approach to innovation

SCA focuses on innovations for people and nature. This means that SCA's products offer something extra – to you, to the environment and to your wallet. This applies across the board, from new or better materials and more efficient methods and processes to smarter design and logistics. Combined, this creates a chain that results in products and services that are truly appreciated.

## Organized creativity

Consumer and customer requirements are our starting point in the process of rethinking and innovating. Our creativity is carefully thought out. SCA's innovation process begins with an

assessment of the business potential and feasibility of a possible solution. This is followed by further development and verification of the company's ability to deliver the solution and finally launch and follow-up.

Function and product safety are crucial considerations for us and our customers. By integrating environmental and social assessments into the innovation process, we can monitor how we continuously improve the sustainability profile of our innovations. By maintaining close proximity to our customers, understanding their needs and transforming this knowledge into products, SCA makes a difference in people's everyday lives.

## Some people and nature innovations 2014



### Tork Xpressnap Image Line

A dispenser designed in walnut and aluminum that reduces napkin consumption by 25% compared with a traditional dispenser. Tork Xpressnap Image Line was awarded the prestigious 2014 Red Dot Award for product design.



### TENA Pants

New TENA Pants Normal is more comfortable and has the same good leakage security as the earlier product. With 20% thinner products and smaller packages, the amount that can fit on a pallet can be optimized. The climate impact decreased by 23%.

### TENA Slip and TENA Comfort with ConfioAir

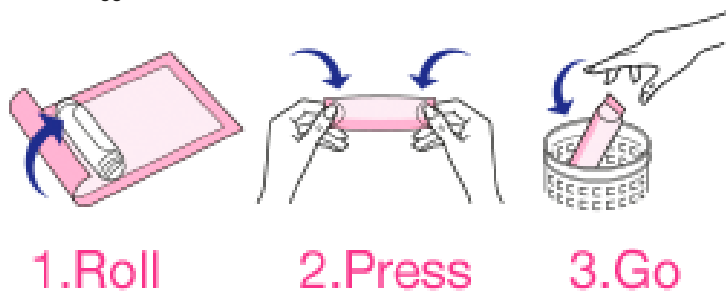
TENA Slip and TENA Comfort Maxi with ConfioAir are made of a breathable material that promotes skin health. The climate impact decreased by 8% for TENA Comfort and 4% for TENA Slip.

## REDUCED MENSTRUAL STRESS WITH NEW ROLL.PRESS.GO

Disposing of used sanitary pads has now become much easier, thanks to the launch of SCA's Libresse Roll.Press.Go. Roll.Press.Go is a simple, hygienic solution – used pads can be sealed by rolling them up and pressing the self-sealing edges, making them easier to carry or throw away.

Studies conducted by SCA show that the disposal of used pads is a source of stress for women, particularly while they are away from home. We know that women worry about people noticing they have their period and disposing of pads is one of their biggest concerns.

The product is also sold under SCA's feminine care brands Bodyform, Nana, Nuvenia, Saba, Nosotras and Libra and it is available in Europe, Latin America, the Middle East and Africa. Learn more about how Roll.Press.Go works at [libresse.com](http://libresse.com).



## Technology advancing continence care

TENA Identifi is a breakthrough innovation for continence care. The product was developed in response to a distinct need expressed by SCA's customers in elderly care. The solution is based on a sensor that registers how much urine is released and when. Information is gathered for three days and is then used as the basis for a continence care plan, with individually adapted incontinence products and a toilet assistance schedule.

Through the launch of TENA Identifi, SCA is helping its customers improve continence care. The product offers several benefits – the life of the individual is improved and caregivers gain more time to do an even better job, often at a lower cost. TENA Identifi was launched in 2013 and has been introduced in eight markets.

## Smarter toilets with Tork solutions

There are many things that must function properly at a workplace, including the toilets. Full wastepaper baskets or empty soap dispensers can be irritating for employees. Thanks to the new innovation Tork EasyCube, these sources of irritation are a thing of the past.

SCA developed Tork EasyCube based on a paper dispenser and web-based platform. The dispensers are equipped with small sensors that register when the paper needs to be refilled in real time. The person responsible for maintenance and service receives this information directly in their computer or mobile phone and can fix the problem.

The complementary Tork SmartFresh system sends data from toilets so that the cleaning staff can adapt their schedules to the actual number of visits and level of use. Tork SmartFresh is fitted with a media panel, which aside from being an attractive feature, also controls odors and offers a communication interface.

In addition to providing a more pleasant toilet experience, these services from Tork simplify the work of the cleaning staff considerably and allow them to provide a high level of service.

The service company Coor Service Management has tested Tork EasyCube. Kati Barklund, Innovation Manager, says: "During the test period, practically all reports about empty paper dispensers disappeared – we received only one in six months. We can now prioritize better and adjust our levels as needed."





# BETTER HYGIENE EVERYWHERE

## TARGET

We will make our knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. In markets in which we operate we will:

- Provide information on hygiene matters around our products and services.
- Strive to implement education programs for girls, women and caregivers.
- Strive to offer the best value for consumers making hygiene solutions affordable to everyone.



## OUTCOME 2014

SCA held the number one or two position in at least one hygiene product segment in about 90 countries.

Around 400 million people used SCA's products every day.

The hygiene educational programs SCA conducts worldwide reached 2,000,000 people.

We offered a broad portfolio of products ranging from the premium segment to the economy segment.

Most of SCA's products relate to hygiene. Every day, 400 million people use our hygiene products. But perhaps even more importantly, we have the requisite knowledge and solutions to help improve hygiene and health for millions of people all over the world.

## Better daily life, every day

SCA offers products and services for all phases of life that benefit both individuals and society in general. We also share our knowledge of hygiene, for example, by educating children about the importance of washing their hands, girls about menstruation and puberty and nurses about incontinence.

SCA's products are available in 100 countries and we adapt our practices to the conditions prevailing in the market. In some markets in Latin America and Asia, we sell packages with one or two products since many inhabitants quite simply lack the means to buy larger packs.



"Lyckliga gatan" is a Swedish-style residential care facility pilot established by SCA in 2014 in cooperation with Shanghai's Huangpu No.1 Social Welfare Center. The facility, which is home to 60 people, and the first of its kind in China and is operated by SCA's Chinese subsidiary Vinda.

## Education is the key to India's potential

In 2014, parents, children and doctors in India took part in SCA's largest ever information and education campaign. In 2014, we reached 2,300 doctors, 5,000 hospitals and clinics, as well as 1.2 million mothers and children with parenting information. A further eight million people received information on the importance of good hand hygiene.

### Small initiatives generating substantial benefits.

Women in India's rural areas are often vulnerable. This is noticeable in the fact that, until recently, the average life expectancy for women was shorter than for men. SCA wants to positively influence women's habits and health by increasing knowledge about breast feeding, nutrition and hygiene. This is carried out together with, for example, hospitals, doctors and prenatal and antenatal care. Knowledge levels are low and small initiatives can reduce infections and even save lives.

### Clean hands improve health

Hand hygiene is a key part of SCA's training initiative. Eating with one's hands is a common practice in India and better hand hygiene can prevent diseases spreading. In 2014, together with three other companies, SCA distributed

information on good hand hygiene at meal-times, reaching eight million people. SCA is also providing assistance to the Indian government's Clean India campaign through, for example, initiatives for hospitals and schools.

### A market with potential

India's rapid pace of development has created a sizeable middle class. At the same time, a large population, raised living standards and low use of hygiene products mean excellent possibilities for future growth for SCA.

Since the end of 2013, SCA has launched, Libero baby diapers, Tempo consumer tissue and Tork AfH tissue. TENA incontinence products will be introduced in 2015. In parallel with these product launches, SCA has invested SEK 150m in the production of hygiene products in southwest India. Production started at the plant in Pune in March 2015.

## Like customer; like manufacturer

Customers contribute to developing SCA's environmental performance and vice versa. The Mexican cinema chain Cinépolis is prime evidence of this.

Cinépolis's initiatives for sustainable development have received substantial attention over the years and in 2007, when the company wanted to change supplier of paper towels and napkins, the company turned to SCA. Having tested Tork products, Cinépolis concluded that SCA could offer a better solution, at a lower price and with a reduced environmental impact.

This was the start of a successful collaboration. Next up is a project aimed at using the waste from the chain's cinemas in SCA's paper production.



Tork napkin dispensers reduce the environmental impact of cinema visitors.

## Cinépolis – a real cinema giant

With more than

**400**

cinemas, over

**3,450**

cinema screens and

**25,000**

employees,

Cinépolis is the fourth largest cinema chain in the world.



# HEALTHY WORLD THANKS TO HYGIENE EDUCATION PROGRAMS

The world would be a much better place if everybody had access to clean water, sanitation and effective hygiene products – and knowledge of the link between hygiene, health and quality of life. We share our knowledge of hygiene with girls, women, children, parents, relatives and caregivers across the globe.

# 2,000,000

The number of people who received education during the year

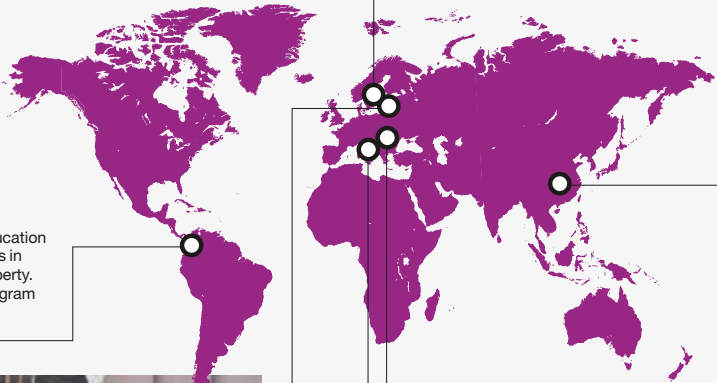
SCA in Sweden has been educating teachers and students about forests and the forest industry for 40 years. Some 7,600 people took part in this program in 2014 and more than a million have participated since the program was founded in 1974.

In China, seminars and educational programs were arranged for 2,500 nurses and professional caregivers, to support people suffering from incontinence. These programs were held at healthcare centers and hospitals across China.



# 900,000

900,000 Colombian girls attended education programs to learn about what happens in the body during menstruation and puberty. 12 million have participated in this program since its initiation in 1989.



# 2,500



# 1,500

In conjunction with a women's running event in Latvia, 1,500 women were given the opportunity to learn about and take part in exercises to strengthen their pelvic floor muscles. The exercises help to prevent future incontinence problems.

In Hungary, 4,000 children were taught about the importance of washing their hands, particularly when it comes to avoiding illness.

# 2,350

In Italy, 2,350 nurses and other care providers learned about incontinence and skincare. These courses were held at nursing homes and were led by nurses employed by SCA.



# 4,000

## Hygiene Matters 2014:

### The world needs knowledge about hygiene

Hygiene Matters 2014 was SCA's fourth international consumer survey on hygiene. The aim is to increase awareness of the importance of good hygiene, contribute to a more knowledge-based public discussion and improve global hygiene standards. This year's theme was "Women and hygiene." Results from the survey showed that men and women are concerned about becoming ill due to poor hygiene

in public places and that employers and government agencies should improve hygiene standards. Women are negatively impacted during menstruation due to taboos and the lack of hygiene products. 13,492 respondents from 13 countries participated in the survey, which is available in full at: [sca.com/hygiene-matters](http://sca.com/hygiene-matters).

# 32%

are always or often concerned about becoming ill due to poor hygiene in public places.

SCA's Hygiene Matters survey 2014





7,600



## SCA and WSSCC break the silence on menstruation

At the end of 2014, volunteers and some 30 girls from the townships of Khayelitsha and Gugulethu outside Cape Town in South Africa were educated about hygiene and menstruation. The initiative was part of a new partnership between SCA and the Water Supply and Sanitation Collaborative Council (WSSCC), a UN body.

*"Breaking the silence is the first step towards change."*

Rockaya Aidara, WSSCC



*"Now I know why girls get their periods."*

Isabel Sbusiso, aged nine

Cloth, paper or mud for feminine care? Unfortunately, this is the everyday reality for millions of girls and women. In addition, they have no access to private toilets, water or soap, and pads are either expensive or unavailable. Many lack the knowledge to be able to take care of their hygiene during menstruation. The consequences are serious – as if it is not enough that many suffer infections, they also have to stay home from school or work which, in turn, impairs their possibilities of gaining an education or working.

No one should have to live under these circumstances – this is the background to SCA's partnership with the WSSCC. WSSCC is the only UN body devoted solely to the sanitation and needs of vulnerable and marginalized people. Together, we want to break the silence surrounding menstruation that jeopardizes the health of millions of women, increase awareness of menstruation and hygiene, and help women and society erase barriers that prevent women from participating fully in society.

*Read more at [www.wsscc.org](http://www.wsscc.org)*



### @SCAeveryday

Together with the French Red Cross, we have provided 120,000 hygiene kits for homeless people in France. We are aiming to donate over a quarter of a million by the end of the year. #redcross #france

# 6 days

Most employed women in Bangladesh miss approximately six days of work each month due to menstruation.

# THE CODE OF CONDUCT SHOWS THE WAY FORWARD

## TARGET

We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.



Our SCA supplier standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by the end of 2015.

## OUTCOME 2014

93% (91) of employees received Code of Conduct training.

71% (75) of SCA's global hygiene supplier base and 83% (60) of the forest product's supplier base had signed the SCA Global Supplier Standard.

SCA's Code of Conduct is the framework that helps us translate our values into actions. Efforts to promote sound business practices, good working conditions and well-being all originate from the Code, but this is not where they end. To follow through on these efforts, we analyze risks, train employees, and evaluate our own plants and those of our suppliers.

## Everyone receives training in the Code

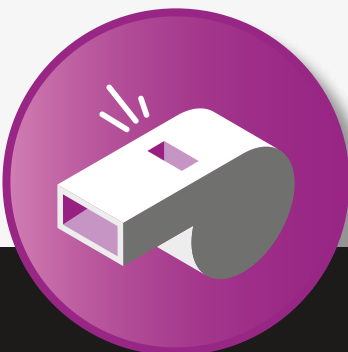
SCA's reputation is based on trust – trust that the company earns by managing our operations and relationships in a responsible manner. Since 2004, our Code of Conduct has helped translate the core values of respect, responsibility and excellence into action.

In 2013, SCA's Code of Conduct was updated and, in 2014, a global training program was carried out, resulting in 93% of all SCA employees receiving instruction in the new Code. Code of Conduct training and communication is a continuous process.

**EVERYBODY SHOULD RECEIVE REGULAR TRAINING IN THE CODE OF CONDUCT**

*"The new Code of Conduct training program provided details regarding SCA's commitment to 'doing the right thing.' The examples presented allow employees to make practical sense of the Code in their everyday business practices. Another important aspect was informing employees of their options when a concern is raised regarding a potential violation of the Code."*

Liz Malone, mill assistant, Barton, US



## CLEARER COMPLAINT PROCEDURE

In 2014, SCA improved its complaint procedure, making it easier for employees to report violations of the Code of Conduct and improving how SCA handles the reports.

SCA's internal web portal for the Code of Conduct was renewed. The portal contains

training materials, frequently asked questions and answers to these, and has functionality that enables anonymous reports to be submitted. It also offers guidance on what is reasonable to report and what happens once a report is made until the case is closed. The actual

processing of reports was also improved by clarifying the division of responsibility and creating a guide for those who deal with the reports submitted. The exact figures are available on page 38.

# Ethics in focus in Latin America

In November, SCA dedicated a full day of a sales conference in Central and South America to a workshop about the Code of Conduct, with focus on business ethics. About 120 managers from across the region participated.

The workshop provided an opportunity for further immersion in subjects such as sound business practices, competition legislation and the risk of bribery and other proscribed business methods. The participants worked with and took stances on complex cases. They used mentors to vote for the various alternative actions

that they judged to be in line with SCA's Code of Conduct. The results were then discussed in smaller groups.

The aim of the workshop was to encourage managers and their staff to openly discuss the various dilemmas. In particular, everyone should be aware that many possibilities and channels exist for anyone who wants to air the issue, irrespective of whether it pertains to general questions, concrete situations or supposed breaches of the law or SCA's Code of Conduct.

## Choosing responsible business partners

In pace with SCA's growth and the corresponding growth in the supplier base, it is becoming increasingly important to choose responsible business partners. Efforts are aimed at identifying risks and opportunities, prioritizing investments and developing suppliers' social and environmental performance.

SCA's objectives for responsible sourcing will be used to drive shared values and priorities throughout the supply chain. The starting point for the initiatives comprises the Group's Global Supplier Standard, a policy similar to our own Code of Conduct.

All in all, SCA has thousands of suppliers of goods and services. We focus our initiatives on a supplier base consisting of 650 global and strategically important suppliers that combine to account for two-thirds of SCA's purchasing.

Read more about SCA's supplier relationships on page 39–40.



## AUDITS MAKE GOOD SUPPLIERS BETTER

Over the last two years, some 80 Code of Conduct audits (focused on working conditions, human rights, health and safety, etc.) were carried out among SCA's suppliers, of which close to 30 were in China. The audits of SCA's Chinese suppliers give us reason to be proud. Even if much remains to be done, we can see that the deviations are non-critical and that suppliers take SCA's follow-up seriously. They often recognize the value in investing in their employees. Many testify to lower employee turnover and higher quality as a consequence. SCA's suppliers in China maintain a high level. They are often international companies sharing the same view of the environment, health and safety, irrespective of where in the world the plant is located.

SCA views the audits as part of the total assessment of whether the supplier is suitable for SCA. The external specialist, SGS, performs the audits. The audit questions follow the SA8000 standard and the audit is carried out in the form of interviews with staff and managers, reviews of documents and inspections of production. Read more about SCA's supplier audits on page 39–40.

### SCA's tools for supplier audits

**1. Global Supplier Standard:** All global suppliers to the hygiene and forest products operations undertake to comply with SCA policies by signing the Group's Global Supplier Standard (GSS).

**2. Sedex database:** SCA's strategically important suppliers, and/or suppliers located in high-risk countries, are registered in the world's largest ethical database, Sedex (Supply Ethical Data Exchange).

**3. Audits:** Suppliers located in high-risk countries are followed up through audits with a sustainability focus.



# SAFETY FIRST

## TARGET

Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011–2016.



OHSAS 18001 will be implemented at all main sites by 2016.

## OUTCOME 2014

The accident frequency was 6.7 (8.4) per million hours worked. Compared with the reference year 2011, this is a 26% decrease.

By the end of 2014, 51% (45) of SCA's 67 main sites were certified according to OHSAS 18001.

Occupational health and safety are a top priority – no one should have to risk their health at work. We devote the same focus to the physical working environment that we do to fostering a safety-first culture.

## Well on the way

Our end objective is clear – the number of workplace accidents at SCA must be zero. One target on the path to achieving this goal is to reduce the accident frequency rate, that is, the number of accidents per million hours worked, by 25% between 2011 and 2016. We are pleased to note that we achieved this goal as early as 2014, when the accident frequency rate decreased 26% compared with 2011.

## Clean and tidy for better health

Policies, management systems and follow-up facilitate initiatives for improving health and

increasing safety at SCA. Our health and safety policy encompasses the entire Group and the control system includes the review of risks: training managers, employees and partners, working toward clear goals and following up on all actions. Each SCA plant has procedures in place to increase workplace safety.

SCA applies the international OHSAS 18001 standard to ensure that the entire Group continuously moves toward improved health and safety. OHSAS 18001 promotes a systematic approach and continuous improvement of the work environment.



**Mario Forte**, Safety and Quality Director, Mannheim, Germany

“People are passionate and invest a lot of energy to improve health and safety for all our employees. The results so far are really impressive, but we need to continue our

efforts to ensure that all our people return home safely from work every single day. It is an amazing journey and we all feel honoured to be part of it.”

## Safety for the whole family

At SCA's production site in Valls, Spain, it is not only the employees who are involved in safety efforts but their entire families. Victims of workplace accidents not only include the injured party, but also those closest to them. Therefore, involving the family is crucial to increasing safety awareness and preventing accidents.

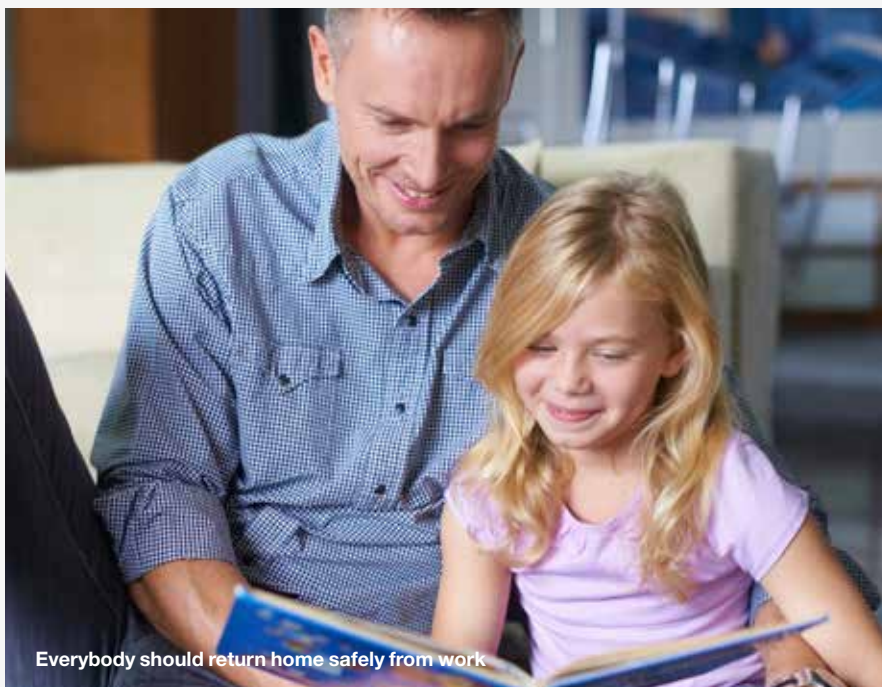
SCA's Valls site implemented its second safety program for families in 2014. The effect is so much greater if employees are not just given safety information, but are also entrusted with the responsibility of passing on knowledge to their children.

A family team, including representatives from all parts of the mill, planned and implemented a raft of activities. Among other actions, they prepared a brochure of exercises for children of varying ages that was as playful as it was informative. The brochure was distributed to employees and their families and, in June, 200 adults and 85 children celebrated the initiative with a huge family party.

Valls' intensive safety initiatives generated results. In 2009, there were nine accidents, while four were reported in 2014. The same applies in relation to the accident frequency rate, which declined from 12.8 to 5.0 over the same period.







Everybody should return home safely from work

## Production facilities with zero workplace accidents in 2014:

Kairo, Egypt  
 Timber France, France  
 Witzenhausen, Germany  
 Manchester, UK  
 Oakenholt, UK  
 Timber Supply Melton, UK  
 Amman, Jordan

Cuijk, Netherlands  
 Svetogorsk, Russia  
 Sovetsk, Russia  
 Veniov, Russia  
 Gemerská Hôrka, Slovakia  
 Hlohovec, Slovakia  
 Kliprivier, South Africa  
 Allo, Spain

Mediona, Spain  
 BM Scandinavia Tunadal, Sweden  
 SCA Energy, Sweden  
 Bouhjar, Tunisia  
 Istanbul, Turkey

## INCREASED FOCUS ON SAFETY MEANT FEWER ACCIDENTS

The sawmills have had a record of reporting more accidents than the rest of the Group. Increased focus on safety and training has considerably improved the sawmills' statistics. In 2014, the accident frequency rate fell by a full 33% to 20.1.

A couple of years ago, the sawmills eliminated a number of accident risks by investing in protective devices for machinery. These measures reduced serious accidents, but the injury frequency rate remained at the same level.

### Real changes take time

It takes time to establish new procedures and, particularly, behavioral changes. Something as simple as putting away a hose or cleaning up an oil stain could be enough to stop someone slipping and injuring themselves. During the year, all of SCA's sawmills focused on health and safety. The safety first message was conveyed across the organization, for example, as part of management training. Together with enhanced reporting systems and accident investigations, the initiatives have finally had a positive impact on the accident statistics.



@SCAeveryday



During the year, SCA's Veniov plant in Russia arranged a health week. Here's a photo from one of the morning exercises. How do you stay fit? #health #veniov #workatsca #lifeinspiringcareers



Swedish colleagues doing their daily health routine! This time with their Team SCA backpack. Thanks for sharing this great picture! Do you have any keep-fit routines at work? #teamscabackpack #colleagues#healthy #office

# A 360-DEGREE APPROACH TO SUSTAINABILITY

## TARGET

We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.



We will triple our production of biofuels from our forests by 2020, with 2010 as reference year.

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

## OUTCOME 2014

At year-end 2014, CO<sub>2</sub> emissions in relation to the production level had declined by 15.3%, compared with the reference year of 2005.

SCA's production of biofuel from its own forests amounted to 687 GWh (870 in the reference year 2010).

Wind energy from SCA forest land totaled 1.1 TWh (0.75).

SCA takes a 360-degree approach to its environmental impact – we have targets in place for reducing carbon dioxide emissions, tripling the production of forest-based biofuels and increasing the availability of wind power.

We are taking major strides forward through investments in new technologies, such as the biofuel plant in Nokia, Finland, described below. We are taking many small steps by continuously implementing minor improvements to how we work and to efficiency. Our ESAVE energy-saving program is an excellent example of how a large number of small projects can, together, result in a large cumulative effect.

Our forests also make a positive contribution to the environment and climate. They absorb a net amount of 2.6 million tons of carbon dioxide each year, which is more than the emissions from all of SCA's production. Forests play a key role in our efforts to increase the availability of renewable energy. Raw materials and by-products are converted into biofuels to become valuable energy and the forests enable our ambitious wind-power investments.

## Safe energy with climate gains

Together with a number of other companies, SCA is investing in a new biofuel plant in Finland. The gain? A more reliable energy supply, increased cost efficiency and up to 40% lower carbon dioxide emissions.

Through joint production of energy from biomass, which stems from the forest, SCA's Finnish plant in Nokia will no longer be dependent on Russian natural gas for energy. In addition, the plant will drastically reduce its carbon footprint – by about 20,000 tons per year, corresponding to 40%.

Biomass is procured locally for the new power plant and half of the biosludge from our own production of tissue is utilized as an energy source at the plant. This entails additional advantages – a reduction in costs and the utilization of by-products from production.

SCA expects the investment to pay for itself within four years. The project has already started and the plant will go online in 2016.





## SMALL STREAMS MAKE GREAT RIVERS...

SCA's ESAVE energy-saving program is a good example of how we continuously endeavor to be more efficient while reducing costs and our environmental impact. In September, we inaugurated a second paper machine at the tissue mill in Sovetsk, Russia, for the production of Zewa and Tork products. The facility is designed to be as energy efficient as possible. It has been equipped with high-efficiency electric motors with variable speed drives, a four-stage heat recovery process, a state-of-the-art vacuum blower system and climate-friendly auxiliary systems.

# 7.7%

More than 800 ESAVE projects  
7.7% energy savings  
2010–2014

### New technology makes waste valuable

Together with an external partner in the Netherlands, SCA is testing the possibilities of using pyrolysis technology to extract energy from sludge. The new technology reduces waste and carbon dioxide emissions and, in parallel, we save money.

Through the help of pyrolysis, the residual sludge from tissue production can be transformed into energy. The technology works at low temperatures, which provides major advantages compared with traditional combustion technology.

When recovered paper is recycled, up to 60% of the fiber is reused for tissue. The rest is sludge. Pyrolysis technology means that the sludge is heated in a reactor without the addition of oxygen, which converts the residual fibers in the sludge into clean, energy-rich gas. What remains is minerals. In other words – what was once seen as waste has now become valuable.

The major benefit is, of course, the extraction of carbon-neutral energy. In addition, we do not have to spend money on the transportation and waste management of the sludge, or on cleaning the gas. The residual minerals can be recycled and can also generate revenue.

If the test results are favorable, the next step will be to move the trial from the laboratory to one of SCA's plants.

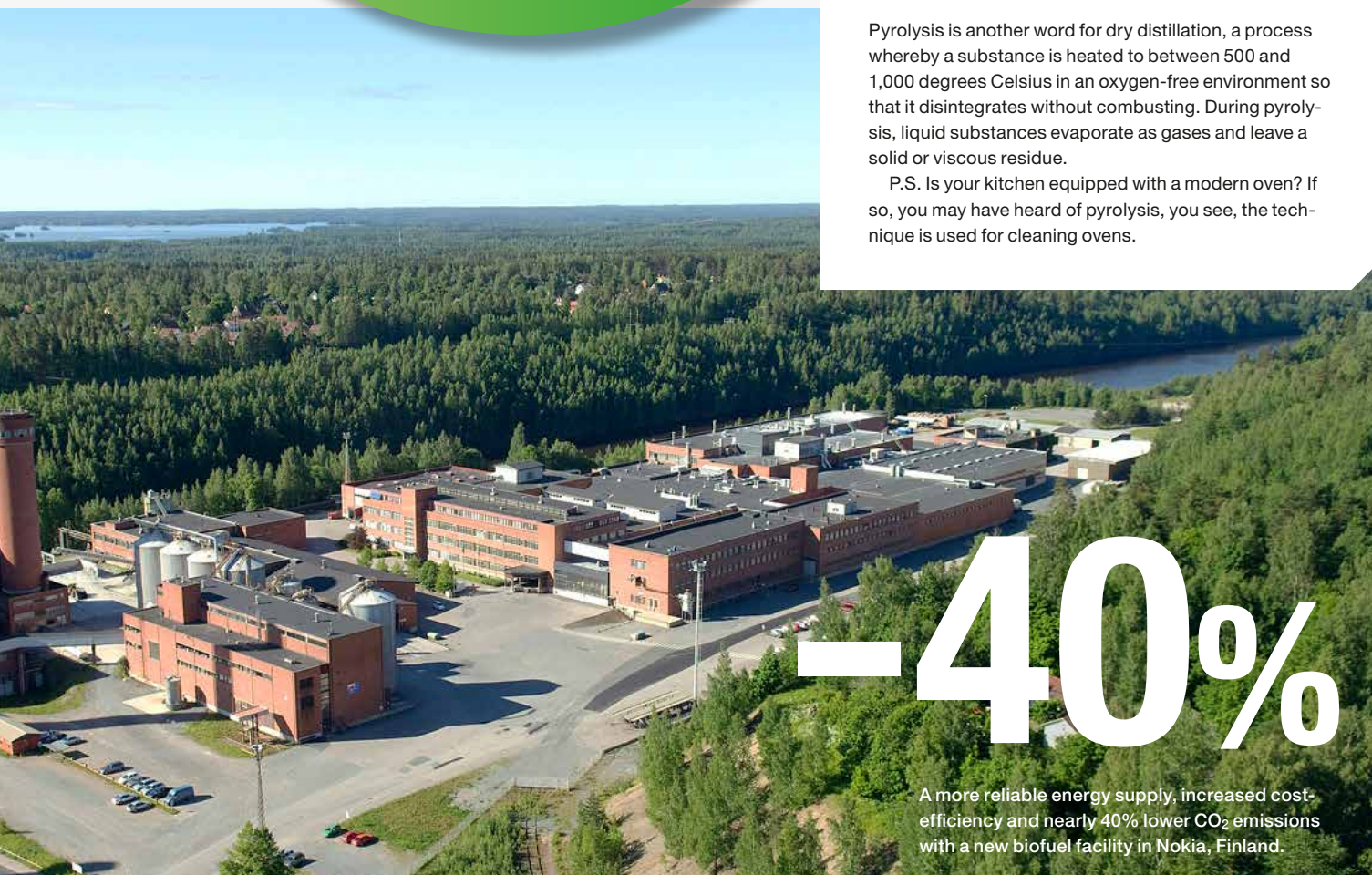
### Pyro... what?

Pyrolysis is another word for dry distillation, a process whereby a substance is heated to between 500 and 1,000 degrees Celsius in an oxygen-free environment so that it disintegrates without combusting. During pyrolysis, liquid substances evaporate as gases and leave a solid or viscous residue.

P.S. Is your kitchen equipped with a modern oven? If so, you may have heard of pyrolysis, you see, the technique is used for cleaning ovens.

# -40%

A more reliable energy supply, increased cost-efficiency and nearly 40% lower CO<sub>2</sub> emissions with a new biofuel facility in Nokia, Finland.





# SMARTER TRANSPORT PROCUREMENT BENEFITS FINANCES AND THE ENVIRONMENT

In 2014, SCA's hygiene and forest products operations decided to coordinate their procurement of road haulage. The potential is immense – this is about improving the coordination of 3,000 routes and volumes corresponding to more than 260,000 fully loaded trucks across Europe every year.

More than 2,000 logistics suppliers were given access to the hygiene operations' and forest products operations' shared distribution network. In this way, they were able to obtain an overview of SCA's transportation needs and offer matching solutions.

The initiative had excellent results – in addition to lowering transportation costs, alternative logistics solutions could be designed, including increased use of rail freight and modern vehicles with less environmental impact. In other words, triple gains for SCA, the suppliers and the environment.



## First out with green bonds

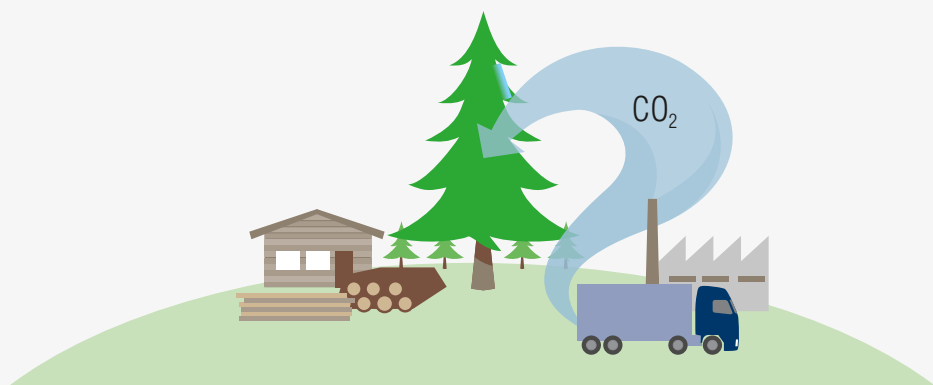
As the first Swedish listed company to do so, SCA has raised SEK 1.5 billion through a green bond issue. The proceeds will be used for investments in projects with a positive environmental impact. SCA's green bond offer was oversubscribed. The bond was placed with approximately 30 investors. Green corporate bonds are relatively new in the bond market. Read about some of the projects on page 46.

When fuel oil is replaced  
with biofuels:

carbon emissions  
**-75%**  
Savings =  
**SEK 50m/year**

Read more on page 45.





## SCA contributes with solutions

As part of its work with the World Business Council for Sustainable Development (WBCSD), SCA has highlighted the ability of the forest and trees to absorb carbon dioxide as a solution to the climate issue. Our solution has been chosen as one of the “Big ideas” included in the WBCSD’s Action 2020 platform.

SCA has been a member of the WBCSD since 2011. The organization was founded in conjunction with the UN summit in Rio de Janeiro in 1992 with the idea that the global business community has a key role to play in sustainable development.

Action 2020 includes measures that need to be implemented by the business world in the years ahead to contribute to creating a sustainable society by 2050. SCA’s solution to the climate issue is based on sustainable forest management and the ability of trees and wood products to absorb and store carbon dioxide. If half of the world’s forests were managed in the same way as SCA’s forests and if deforestation ceased, the problem of climate change would be solved. In addition, further potential exists for increased use by society of wood-fiber based products.



## @SCAeveryday



Loading of pulp at SCA Logistics in Sundsvall, Sweden. #workatsca #scalogistics



In 2014, the Mörttjärnberget wind farm was inaugurated in Northern Sweden. #windpower #windfarm #mörttjärnberget



Every year, about 20,000 runners participate in Mexico City’s International Marathon. This year, SCA provided the race with 168 waste separation bins with the aim of helping the event to obtain “Green Certification” and become the first race in Latin America recognized as being responsible, sustainable and focused on a healthy environment. #Mexico #marathon #sustainability #recycling



## SCA invests in clean electricity

During the year, two new wind farms became operational on SCA’s land in northern Sweden at Mörttjärnberget and Ögonfågna den. Together, they will supply 590 GWh of electricity per year, sufficient to heat 30,000 houses.

This means that three of the six wind farms planned as part of SCA’s partnership with the energy company Statkraft are now ready and we have made real progress with SCA’s strategy of increasing the availability of renewable energy. The wind farms benefit not just SCA but all of Sweden. With their 6% of total wind power production in Sweden, Mörttjärnberget and Ögonfågna den contribute to reaching Sweden’s climate goal of an increased share of renewable energy.

The project with Statkraft reduces SCA’s exposure to fluctuating electricity prices. It is one of Sweden’s largest industrial investments, with Statkraft responsible for funding and SCA for the land. Read more about SCA and wind power on page 46.

# THE FOREST IS A VALUABLE RESOURCE

## TARGET

We will achieve and maintain our target of zero fresh fiber-based material from controversial sources\*, including pulp.



We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.

## OUTCOME 2014

All deliveries of pulp to SCA's facilities meet the requirements of the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.

7% of SCA's productive forest land has been set aside from forestry in the long term in our ecological landscape plans. In 2014, 14% of the area in planned harvesting sites was set aside for preservation.

\* Controversial sources are defined as:  
– illegally logged timber,  
– timber from forests with a high conservation value, and  
– timber from areas where human rights or traditional rights of indigenous people are being violated.

The forest is an important resource that we care for diligently. Through responsible forest management, SCA utilizes its environmental values and produces valuable, renewable raw material. SCA's responsibility also extends to reviewing the purchasing of fresh fiber.

## Sustainable silviculture

The preservation of biodiversity is the most important environmental target in the management of SCA's forests. The forest is a valuable source of renewable raw materials, but it also provides a habitat for a multitude of flora and fauna. It absorbs carbon dioxide, regulates water flows and generates value for people in the form of such pursuits as recreation, hunting and fishing.

SCA is Europe's largest private forest owner. Around 2 million of SCA's 2.6 million hectares of forest land are managed for timber production. The remaining 600,000 hectares is less productive forest, such as bogs and other land, but is still valuable as a habitat for flora and fauna. Areas that provide vital habitats for sensitive fauna and flora are exempted from forest management or are managed with the aim of enhancing the existing environmental values. Approximately 200 species in our forests – insects, fungi, lichens and mosses – are disadvantaged by forest management and require special consideration. SCA has set aside nearly 7% of its managed forests under ecological landscape plans to promote biodiversity. In addition, for nature conservation reasons, we

left 14% of the area planned for harvesting in 2014 untouched.

## Responsible fiber sourcing

SCA has procedures in place to guarantee traceability and that the wood raw materials we use come from non-controversial sources.

Since 2005, the aim has been to ensure that none of the wood fiber in the Group's products stems from controversial sources. About half of the wood raw material used by SCA is sourced from our own forests, which are certified under the two leading forestry standards; FSC® (Forest Stewardship Council) and PEFC™ (Programme for the Endorsement of Forest Certification). The remainder is purchased and SCA sets stringent requirements for its suppliers. Suppliers must be able to demonstrate systems and procedures that ensure traceability and guarantee the source of the fiber. SCA follows up compliance by visiting and inspecting suppliers.

SCA has 100% control over the origin of its wood raw material. However, this is not a static situation – it is an ongoing challenge as SCA grows in new markets. Read more about how SCA works with responsible fiber sourcing on page 47.

One tree in ten in SCA's forests is left to die from natural causes.



## Compost benefits biodiversity

Currently, there is a lack of compost heaps and dunghills in Sweden. This means that fewer grass snakes are born, which threatens biodiversity. In an effort to promote the hatching of grass snake eggs, SCA has created compost heaps in Njurunda diversity park outside Sundsvall, where SCA has operations. The park is part of SCA's investment in nature conservation and biodiversity, and will be inaugurated in summer 2015.



## SECURED ORIGIN – A QUESTION OF DIALOG

During the year, SCA visited six Brazilian mills that produce pulp from eucalyptus trees. Since we first began purchasing pulp in Brazil, we have engaged in a dialog with our suppliers regarding traceability and the mills' relationships with nearby residents and other stakeholders.

Brazil has a history of controversy and land disputes between forest companies and local residents, as well as deforestation. As the world's largest pulp purchaser, SCA is in a position to exert a significant influence. Brazil has made good progress in recent years with the introduction of new regulations – a development that SCA supports by imposing demands on its suppliers, engaging in a committed dialog and conducting follow-up activities.

### Pulp with a definite origin

In Brazil, as everywhere else, the Group's policy for fresh fiber sourcing applies. The suppliers are expected to have reliable systems and procedures for control of the supply chain and traceability of the timber's source.

The Brazilian suppliers use advanced GPS equipment to monitor the fiber's route from the plantation to the mill, including tracking of transport vehicles.

### SCA's pulp sourcing worldwide

Sourcing of pulp: 2.2\* million tons per year  
 Largest sourcing markets: Europe (61%), South America (24%) and North America (15%)  
 Number of pulp suppliers: 33

\* Excluding Vinda

### Important meetings

The mills that SCA cooperates with take their social responsibility seriously. As a part of this, they map the indigenous people in the area and conduct a dialog with them and other local stakeholders. Above all, it is a matter of working out how the mills' operations can be conducted in harmony with the daily lives of neighbors. One of these dialogs was held in connection with one of SCA's visits. The participants included Indian chiefs, representatives for the landless workers' movement, other interest groups and researchers. In fact, this was the first time that such a diversified group was gathered and the first time that they met one of the pulp mill's customers.



The pulp mills support local communities in many ways, for example with better growing methods.

## SCA'S FORESTS 2014

FOREST LAND:

2.6

MILLION HECTARES

Europe's largest private forest owner, with 2.6 million hectares located in northern Sweden, of which 2 million are used for timber production.

HARVEST:

4.2

MILLION CUBIC METERS

PRODUCTION OF FOREST SEEDLINGS:

99

MILLION

of which 38% were planted on SCA's land, with the remainder sold to private forest owners.

NET SEQUESTRATION OF CARBON DIOXIDE ANNUALLY:

2.6

MILLION METRIC TONS

Since growth in SCA's forests exceeds felling, a large amount of carbon dioxide is sequestered each year.

## PLANNING OVER HUNDREDS OF YEARS

Managing forests involves thinking at least one century ahead. The forest planted today will be harvested in maybe 100 years and its value to biological diversity extends over centuries.

SCA conducts regular inventories of its forests to gather information on how they should be managed in the short and long term. Among other aspects, the sustainable harvesting level is determined, which means how much forest can be harvested in the next few years without having to reduce harvesting some time in the future. The first calculation was done in 1949. Since then, the standing volume – the volume of living, growing trees – has increased by 50% and the sustainable harvesting level has more than doubled.

In 2014, a new long-term harvesting calculation was performed that shows that SCA will be able to maintain its current harvesting level for the next 15-20 years, after which it will be able to increase harvesting. At the same time, the amount of forest excluded from forestry activities to provide sensitive animal and plant species room to thrive is growing. This is our relationship to the forest – it is a resource that generates value and prosperity and it offers an environment in which all living organisms can thrive – plants, animals and us humans.



### @SCAeveryday

This is where it all starts! Here, in Sundsvall, Sweden, we nurse our baby seedlings for the first year before it's time to head into the forest. #seedlings #forestry





# VITAL WATER

## TARGET

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as reference year.



All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

## OUTCOME 2014

By year-end 2014, water usage in water-stressed regions in relation to the production level had declined by 13.7%, compared with the reference year of 2010.

Mechanical and biological effluent treatment systems have been, or are in the process of being, installed at all of the Group's 43 pulp and paper mills.

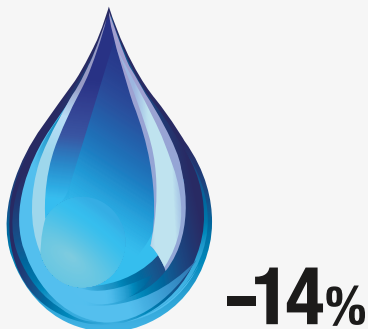
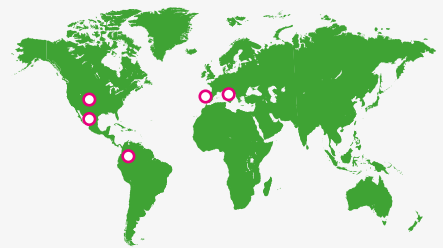
No water, no life. It is the same for everybody – people, industries, agriculture and the ecosystem. SCA's production uses water primarily to transport fibers and for cooling. The aim is to use less water in water-stressed regions, but also to purify the water we use as effectively as possible.

In water-stressed regions, the availability of water is often so limited that groundwater is utilized rather than surface water. A decline in the availability of clean water threatens all of society.

The majority of SCA's mills, accounting for about 96% of our water usage, are located in areas with a plentiful supply of water. However, water stress is such a serious issue that it requires additional initiatives on our part. Therefore, we are directing our investments to nine

units in water-stressed areas in Colombia, Mexico, Italy, Spain and the US.

Water is a critical resource that requires extremely careful management. We have every reason to reduce and enhance the efficiency of water usage at every SCA plant. It provides multiple gains – less water to pump equals lower costs and reduced environmental impact.



The reduction in the specific water usage at SCA's plant in Sahagún, Mexico, in 2014.





# FRENCH WETLANDS BECOME A NEW HOME FOR TOADS

Yellow-bellied toad

By rerouting the course of the Iton River, SCA struck a real blow for the environment at its plant in Hondouville, France. Together with local and regional authorities, SCA restored the wetlands around the plant. We rerouted the water by filling a dam and removing a lock that prevented fish from swimming freely. The river now flows past the property where SCA's plant is located instead of, as before, right through it.

Why all the work you may ask? The short answer is: for the environment. It is easier for SCA to control the efficiency of the water treatment system and prevent the risk of pollution in case of leaks. In the long term, this is about ensuring that industry in this area can coexist with flora and fauna. Through restoration of the wetlands, the hope is to increase biodiversity and welcome back species, such as the yellow-bellied toad.

5,000 cubic meters of earth (about 200 truckloads) was needed to fill parts of the river.

# 5,000 m<sup>3</sup>

SCA manufactures tissue and cotton products in Hondouville.



## Milestones in water initiatives

At its Kunheim site in France, SCA is installing biological water treatment featuring a lagoon system that contains reeds. The plant is the first of its kind in France and, when operational in 2015, SCA will have achieved its Group water treatment target.

After the initial mechanical-chemical treatment stage, the water will be piped into the four reed-bed lagoons where it will be filtered through layers of gravel and sand. The bacteria attached to the roots of the reeds digest organic matter in the wastewater before it is returned to the Rhine.

The method will complement the current treatment of 3,000 cubic meters of water (equivalent to seven swimming pools) that is required in the daily production of 15 million Lotus handkerchiefs, 1.6 million rolls of Lotus toilet paper and 300,000 Okay paper towels.

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# STRATEGIC APPROACH

## Stakeholder dialog

SCA's stakeholder dialog helps us understand the needs and expectations of stakeholders and to develop long-term relationships. It also provides valuable input to continuous improvements and ways of working.

We seek to actively engage with customers, consumers, suppliers, employees, investors, media, NGOs, governments, regulators, academics and individual concerned citizens. An active stakeholder dialog is a means of ensuring that our priorities and methods are relevant in today's society.

### Customers

SCA has a broad product portfolio and many different customers, both end-consumers and customers such as the retail trade, companies, distributors, printing houses, and health and medical care services. All SCA business units maintain a close dialog with their customers and follow up customer satisfaction through surveys, face-to-face meetings and third-party assessments.

In-depth consumer insights reveal areas of improvement. SCA conducts market and consumer surveys, visits consumers' homes to learn about their lives and interests and arranges focus groups. Valuable insights are also gained through SCA's many phone lines for consumer contact and through customer service's handling of queries and complaints. Read more on page 10 and on pages 8-11 of the Annual Report.

### Other

SCA regularly meets investors and analysts, including social responsible investors (SRIs). It conducts employee surveys and employee performance management reviews. Moreover, SCA communicates with other groups and individuals in matters that have a major impact on society in general and local communities in particular. SCA regularly meets with NGOs, journalists and people living close to the Group's mills.

Together with four other forest products companies and the Swedish Forest Agency, SCA is carrying out a program to develop the dialog between foresters and reindeer herders in Sweden. During 2014, a total of 15 training sessions

were conducted, in both summer and winter conditions. A total of 139 forestry staff and 60 Sami reindeer herders participated in these sessions. The program has resulted in a web training module.

In Northern Sweden, there is an ongoing dialog in relation to SCA's windpower investments. SCA's wind farms are generally planned in sparsely populated areas, but there have still been local protests against some of the wind farms. SCA regularly arranges information meetings, open to all stakeholders.

In late 2014, SCA was criticized for its use of business air travel and the company's hospitality hunts. SCA takes this criticism seriously and has appointed independent auditors to investigate whether any errors have been made. The investigations will be finalized before SCA's Annual General meeting in April 2015.

SCA engages through a number of dedicated platforms such as the United Nations Global Compact, the World Business Council for Sustainable Development and the Consumer Goods Forum. SCA participates in the WWF Environmental Paper Company Index and SCA Forest Products participates in the WWF Global Forest & Trade Network (GFTN) for responsible trade.

SCA actively works to build partnerships with decision makers in countries where new healthcare systems are under development. In 2014, SCA participated in roundtables with China's Deputy Health Minister Liu Qian and a delegation from India's Ministry of Health and Family Welfare, led by additional secretary Dr. Arun Kumar, when they visited Sweden on two separate occasions to study the Swedish healthcare system.

SCA is involved in increasing awareness of incontinence as a disease and contributing to better conditions for people who suffer from it within the scope of the health and medical care systems in various countries. One important platform for communication is through the Global Forum on Incontinence (GFI). GFI is a

global platform for education and debate on incontinence for stakeholders, such as medical experts, politicians and payers. The fifth GFI conference took place in Madrid in April 2014, with SCA as the primary arranger.

SCA encourages sustainable forest management and supports both international certification schemes for forests and wood raw materials, Forest Stewardship Council (FSC®) and the Programme for the Endorsement of Forest Certification (PEFC®).



Stakeholder group	Main areas	How we work with the issues/Activities in 2014 (page reference)
<b>Customers</b>	Carbon footprint Ecolabelling Working conditions Fiber sourcing Human rights compliance Customer insight Innovation	Customer surveys (10, 36) People & nature innovations (12, 36) Hygiene solutions (14, 38) Global supplier standard (19, 41) CO <sub>2</sub> targets (22, 45) Sourcing targets (26, 40) FSC® and PEFC™ certification (26, 46) Life cycle assessments (36) Code of Conduct audits and Business Practice Reviews (39, 40) Human rights assessments (40)
<b>Consumers</b>	Impact of products on nature, for example, carbon footprint, ecolabelling Product safety Consumer insight Innovation	Consumer surveys and focus groups (10, 36) People & nature innovations (12, 36) Hygiene solutions (14, 38) Life cycle assessments (36) Product safety (37) Eco Actions (www.libero.se/Eco-Actions, www.libresse.com, www.tena.com)
<b>Employees</b>	Recruitment and succession planning Training Compensation and benefits Business ethics Health and safety Working conditions	Code of Conduct training (39) Human rights assessments (40) Management system (42) OHSAS 18001 certification (42) Diversity survey (43) Global Performance Management System (43) Global All-Employee Survey (44)
<b>Investors</b>	ESG (Environment, Social, Governance) integration into business strategy Resource efficiency Risk management	Investor/analyst meetings (35) Conference participation (35) Inclusion in sustainability indexes and funds (35) ESAVE (45) Risk analysis (AR 78)
<b>Suppliers</b>	Supplier audits Raw material sourcing	Sourcing targets (26) Global supplier standard (41) Sedex reporting (41) Code of Conduct supplier audits (19, 41)
<b>Stakeholder organizations</b>	Forest management CO <sub>2</sub> emissions Energy utilization Water consumption	Continuous dialogs, such as consultation with reindeer herders (31) Membership in industry initiatives and organizations such as WBCSD, Consumer Goods Forum, FSC, etc. (www.sca.com)
<b>Society</b>	Environmental issues Local issues Community involvement	Public Affairs (31) Ongoing dialog with authorities and local communities (31) Hundreds of community involvement initiatives (45)

# SCA's materiality analysis

The materiality analysis provides an insight into the issues that are significant to SCA's stakeholders and forms the basis of the company's strategy and operations.

SCA conducts a materiality analysis biannually and the last one was conducted in 2013. In total, 1,500 customers, consumers, suppliers, investors, representatives of the media and stakeholder organizations as well as SCA employees participated in the online survey that formed the basis for the materiality analysis.

SCA previously conducted materiality analyses in 2008, 2010 and 2012. While the previous analyses were focused on sustainability, the 2013 analysis had a broader approach. The stakeholders' opinions are highly significant for SCA as a whole, not only for its sustainability activities, and the entire business should therefore be included. The results are also included on page 6 of the Annual Report. The next materiality analysis will take place in 2015.

The changed focus entailed a broadening of the subject areas at the same time as the number was reduced from 36 to 18. The subject areas included in the study were chosen in accordance with such governing documents as the Global Reporting Initiative, the UN Global Compact, SCA's Code of Conduct and SCA's own assessment. All selected areas are important to SCA.

In earlier surveys, the respondents weighted the subject areas in order of importance, while in this survey they were able to choose the ten areas they considered to be the most important of the total of 18. The stakeholders' ranking of the areas was combined with SCA's own assessment of how important the areas are to the company's business strategy and were placed in the materiality analysis as coordinates. The stakeholder group's results were weighted so that each of the groups' answers were assigned equal importance. SCA's own assessment is based on the evaluation of the Corporate Senior Management Team.

The new method means that the results are not directly comparable with previous materiality analyses. However, the stakeholders' and SCA's views are still a good match in terms of which areas are significant. The results of the

survey appear to be reasonable and relevant and have given the Group a basis for its strategy and operations and for the content of the Annual Report and Sustainability Report.

The factor considered the most material to SCA's stakeholders were:

Topic
1 Innovation
2 Customer and consumer satisfaction
3 Business ethics
4 Product safety
5 Brands
6 Resource efficiency
7 Health and safety
8 Forest assets
9 Market positions
10 Human rights
11 Corporate governance
12 CO <sub>2</sub> emissions
13 Human capital
14 Consumer waste
15 Efficiency in the supply chain
16 Water use and water purification
17 Distribution
18 Financial risks

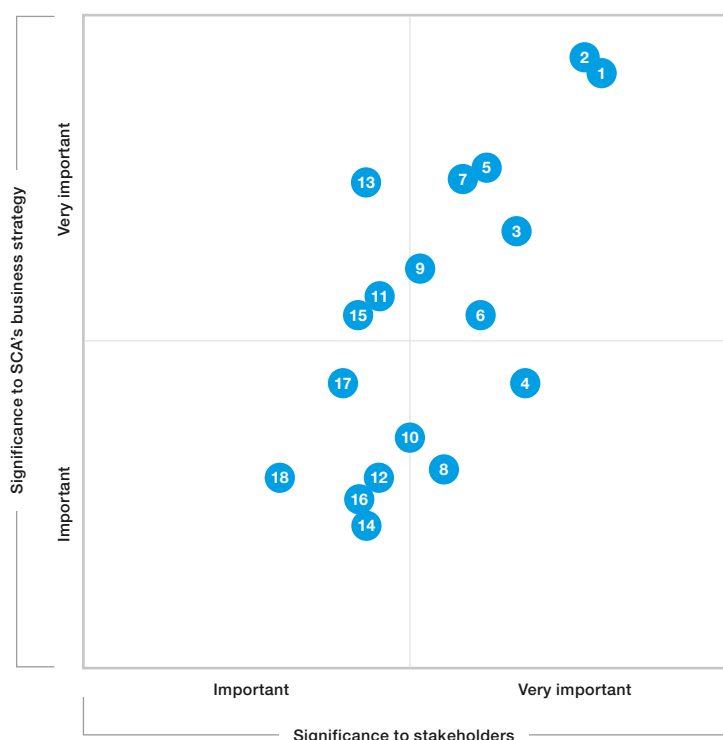
**1. Innovation** is ranked number one by external stakeholders and number two by SCA, which confirms the relevance of the choice of innovation as one of SCA's strategic priorities. Sustainability is an integrated part of product development and during the year, the Group launched some 30 new innovations.

**2. Customer and consumer satisfaction** is assessed as the most important area by SCA and as the second most important by the stakeholders. SCA conducts regular customer and consumer surveys and feeds back opinions and complaints to the business as a basis for improvements.

**4. Product safety** has a high priority, particularly since many of the company's products come into contact with people's skin. SCA has well-developed processes for guaranteeing the products' safety and does not use any chemicals classified as substances of very high concern by EU REACH regulatory legislation. This may be a reason why SCA ranks this area lower than the stakeholders.

**8. Forest assets** are assigned greater importance by the stakeholders than by SCA. One explanation for this may be that the stakeholders see the forest from a global deforestation perspective while SCA refers to its own, sustainably managed forest assets in Sweden. The forest accounts for a small share of SCA's sales.

**13. Human capital** is assigned less importance by the stakeholders than by SCA. It appears reasonable that SCA has greater insight into how crucial the employees' attitudes and expertise are to the Group's success. SCA's All Employee Survey provides valuable knowledge about the employees' opinions and constitutes a tool in the improvement work.



*The materiality analysis is a tool used to understand the issues that are most important and relevant to SCA. The horizontal axis shows the degree of importance stakeholders attach to the various subject matters, while the vertical axis represents SCA's assessment of how important the areas are to its business strategy and operations. In most cases, the assessments of stakeholders and SCA coincide.*

# SYSTEMATIC APPROACH AND RESULTS

## Economic value creation

### Management approach

SCA's overall management approach to economic value creation is based on the premise that maintaining financially sound business operations is increasingly dependent on these operations being environmentally and socially sound. At the same time, economic strength and stability is a prerequisite for environmental investments and socially responsible decisions that generate long-term financial growth. SCA's aim is to achieve maximum value for its shareholders and other stakeholders, with minimum adverse effects. SCA has a number of policies and management systems in place to achieve and follow up its economic value creation. This chapter describes SCA's work related to its most important economic and financial aspects.

Strategic components	
Policy	Sustainability Policy Code of Conduct
Targets and KPIs	Financial targets People and nature innovations Hygiene solutions
Data	See Annual Report See life cycle assessment
Management systems, programs and certifications	IFRS Innovation processes Life cycle management
External charters or initiatives	UN Global Compact

### Economic value creation 2014

Sustainability forms an integral part of SCA's business strategy and promotes the creation of economic value for employees, suppliers, society and shareholders.

#### Economic performance indicators

In 2014, SCA's net sales totaled SEK 104,054m (92,873), a year-on-year increase of 12%. Personal Care grew by 4% and emerging markets accounted for 43% of sales. Net sales in Tissue

grew by 19%, of which the majority shareholding in the Chinese company Vinda increased sales by 14%. Emerging markets accounted for 30% of the business area's sales, including Vinda. Net sales in Forest Products rose 6%. The divestment of the publication mill in Laakirchen in Austria decreased sales by 5%. Operating profit for the Group, excluding items affecting profitability, grew by 14% to SEK 11,849m (10,381).

#### Employees

SCA offers its employees development opportunities and remuneration based on market rates. Remuneration comprises salary, pensions and other benefits.

SCA's remuneration policy stipulates that the company is to offer competitive compensation. SCA follows local remuneration structures, assuming that these do not conflict with internationally established rules for minimum wages and reasonable compensation. In all the reporting countries, SCA pays above the legislated minimum salaries. On average, entry salaries are

### Economic value creation by stakeholder in 2014<sup>1)</sup>



<sup>1)</sup> Based on SCA net sales 2014.  
<sup>2)</sup> Current expenditures, restructuring costs, strategic investments and acquisitions.  
<sup>3)</sup> Raw materials, transport and distribution, energy and other cost of goods sold.



17% above minimum salaries. In 2014, salaries totaled SEK 13,592m (12,807), and social security costs, including pension costs, amounted to SEK 2,929m (3,803).

The Group's pension costs totaled SEK 1,179m (1,129) and comprised costs for defined-benefit and defined-contribution pension plans. The defined-benefit plans are based on length of service and the employee's salary on the date of retirement and, in 2014, the net cost was SEK 541m (554). The cost of defined-contribution plans amounted to SEK 638m (575). More information is available in Note 6 and Note 26 in SCA's 2014 Annual Report.

When SCA acquires companies or enters into a joint venture in emerging markets, the company adopts an approach that involves great respect for the local management's in-depth knowledge of the market and prevailing conditions. Accordingly, to the greatest possible extent, the management is retained while SCA adds knowledge about innovation, brands, technology and economies of scale. Local growth creates local jobs.

### Suppliers

SCA strives to promote long-term relationships characterized by transparency, high quality and financial stability. Training of and support to suppliers contributes to development in such areas as quality, safety, the environment and social responsibility.

Global commodities, such as pulp, electricity and chemicals, are purchased centrally while other input goods, such as wood, are procured locally and thus contribute to local suppliers and local industry. Almost all of the fresh fiber purchased for the Swedish mills is locally sourced.

In 2014, the cost of purchased raw materials and services totaled SEK 67,559m (56,404), making sourcing SCA's single largest cost item, corresponding to 65% (63) of sales and a key investment in the value chain.

### Society

SCA creates job opportunities and tax revenues in the local economies where the Group operates. In 2014, income tax paid amounted to SEK 2,101m (1,634) measured globally. In addition, SCA pays tax in the form of social security costs, property taxes, energy, VAT, etc. The company assumes a long-term and responsible approach, voluntarily committing to promote and develop local communities through a number of community relations initiatives with a focus on health, hygiene and education, see also page 44.

### Shareholders

Sustainability, with an emphasis on business value, is part of SCA's investor dialog. In 2014, SCA met with SRI (Socially Responsible Investors) on several occasions, and participated in an SRI investor conference in Paris.

Investors with sustainability criteria hold 14.5% (14.8) of SCA's shares, according to a study conducted by the ESG (environment, social, governance) rating company Vigeo. This figure includes both investors with a best-in-class approach and investors who conduct some form of sustainability screening. Vigeo also did a benchmark with two key peer consumer products companies and one Swedish large-cap company recognized as a sustainability leader. SCA had a significantly higher share of investors with sustainability criteria than its peers and a slightly higher share than the sustainability leader. SCA's share was included in 128 (126) sustainability funds in 2014. Most of these are domiciled in Sweden, followed by the Netherlands, France, Germany and the US. Of these, 49 had invested more than 1% of their assets in SCA shares and three funds had invested more than 3%.

### Share performance

SCA generates shareholder value through dividends and share price appreciation. Normally, about one-third of cash flow from current operations over a business cycle is used for dividends.

## Indexes and funds

In 2014, SCA was assessed and qualified for inclusion in a number of sustainability indexes and other rankings:

- The Ethisphere Institute's list of the world's most ethical companies for the eighth consecutive year.
- The FTSE4Good index series, which measures earnings and performance among companies that meet globally recognized norms for corporate responsibility. SCA has been included in the index since 2001 and was awarded the highest rating in its industry.
- The Climate Disclosure Leadership Index (CDP), which recognizes companies with the most transparent carbon reporting practices and that show proven ability to tackle climate change. SCA was also recognized as the leader in the Household & Personal Products sector for its sustainable forest management and transparent supply chains.
- Vigeo assesses companies' environmental, social and governance (ESG) performance. SCA is included in the following sustainability funds of Vigeo: Ethibel Sustainability Excellence Europe and Ethibel Sustainability Excellence Global.
- EPCI Euro Ethical Equity and EPCI Global Ethical Equity.
- The OMX GES Sustainability Nordic and OMX GES Sustainability Sweden.

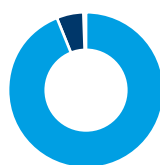
### Largest shareholders

	% of votes	% of shares
Industrivärden AB	29.4	10.1
Handelsbanken*	14.3	4.5
Norges Bank Investment Management	8.1	6.7
Skandia	1.6	0.5
Swedbank Robur funds	0.8	1.8
AMF – Insurance and Funds	0.7	1.5
SCA Employee Foundation	0.7	0.1
SEB Funds & SEB Trygg life insurance	0.7	0.9
Second Swedish National Pension Fund	0.4	0.6
T Rowe Price funds	0.4	0.9

\* Including funds and foundations.

Source: SIS

### SRI\* investors in SCA, by region



\*Socially Responsible Investments.  
Source: Vigeo

[Read more about our financial results and share performance in SCA's 2014 Annual Report.](#)

The Board has proposed a dividend of SEK 5.25 (4.75) for 2014, an increase of 10.5%. Over the past five-year period, the dividend has increased by an average of 7.2% annually.

During the year, the SCA share price declined by 15% to a closing price of SEK 168.90. In comparison, the OMX Stockholm 30 Index rose 10%.

At year-end 2014, SCA had 77,067 registered shareholders.

## Customer understanding and consumer insight

Customer understanding and consumer insight are at the core of determining which products and services SCA develops and how it delivers innovations to the market.

Some of SCA's initiatives to achieve customer understanding and consumer insight are listed below:

- Monitoring macro trends to identify changes in behavior
- Home visits
- Focus group meetings
- In-depth interviews
- Interviews with SCA sales representatives
- Monitoring SCA's online and social media sites

### Customer surveys

Customer feedback enables SCA to offer better products and solutions. Every business unit has methods to investigate customer satisfaction.

The hygiene operations conduct a systematic customer follow-up. This includes both external reports and independent surveys. SCA has introduced global systems for customer feedback in the incontinence and tissue operations. In 2014, SCA conducted 3,308 customer follow-ups in the incontinence operations. The corresponding figure for the AfH (Away-from-Home) business was 1,218. The reports indicated customer satisfaction and improvement potential. SCA has introduced the Net Promoter Score concept in approximately 70% of its hygiene business.

SCA also delivers knowledge and support for the development of operations at such institutions as nursing homes, where SCA can make a difference and create value for its customers and users. SCA highly values opportunities for direct customer contact.

The retail trade accounts for a significant part of SCA's sales. The Group uses external comparison reports in which the largest retail chains assess their suppliers based on customer service, logistics, sales support, marketing and product development. Consumers who purchase retail products are followed up through general brand and product recognition surveys.

### Complaints procedures

SCA has a global SAP-based complaint handling system that was introduced in 2011. The Group seeks to compensate unsatisfied cus-

tomers directly and determine whether a need exists for further measures beyond the individual case. For example, production personnel receive feedback to determine whether a production fault was the underlying cause. User complaints and opinions provide valuable consumer insight and it is important that the knowledge gathered is transferred to the organization.

Complaints have remained at a stable and low level for the past two years. For Personal Care products, the complaint frequency is lower than one in a million supplied products. In the Tissue operations, the corresponding figure is 2.4 per thousand tons.

## People and nature innovations

Innovations that benefit people and nature also make financial sense. For SCA, such innovations are linked to an in-depth understanding of customers and consumers.

### SCA's innovation process

SCA's innovation process originates in an understanding of a customer or consumer need and is divided into four phases:

- **Feasibility:** innovation concepts based on customer or consumer insight are elaborated and validated, the market situation and the global business potential are assessed, and high-level technological and commercial feasibility are evaluated.
- **Development:** a cross-functional project team is engaged in the development of a proposed solution, including a specific product, service or business model. Requirements of the product, packaging, service and technology are developed and verified with customers and consumers, and communication materials are prepared. Product safety assessments for materials and life cycle assessments (LCAs) are performed by experts to ensure product safety and environmental performance.
- **Capacity:** the project works towards market launch and building the capability to deliver. Launch campaign materials are created, the production solution is verified against requirements, and all product and packaging specifications are finalized. The fulfilment of the regulatory requirements governing products in all markets is secured.
- **Launch:** the innovation is introduced to customers/consumers in the market. The intended benefits are weighed against market feedback; the supply chain is adjusted accordingly. Supply and demand balance is optimized in production to ensure efficiency and the feedback drives the roll-out plan.

In 2014, SCA invested SEK 1,050m (998) in research and development. This corresponds to 1% (1) of total sales in 2014.

### Open innovation

SCA has a portal for open innovation. Inventors, entrepreneurs and small companies are invited to submit solutions in response to various challenges from SCA. The solutions should be patented so that there are no outstanding issues regarding immaterial property rights should the proposal result in a licensing agreement or other type of business arrangement. A number of proposals have been submitted this way and some of them have led to further collaboration.

SCA launched an internal innovation platform in 2013 called ICON (Idea Collaboration Online). ICON is not limited to product innovations. Proposals may include manufacturing, logistics or marketing solutions. ICON complements other platforms and initiatives to spur innovation and is frequently used in early phases of the innovation process to gather solutions and ideas from employees.

### Life cycle management

Life cycle management is about effectively combining value, social and environmental aspects in every part of the life cycle. This enables SCA to deliver products and services that meet customers' needs and exceed their expectations.

**Active sourcing** involves seeking high-quality, safe and environmentally sound raw materials. SCA's suppliers adhere to strict standards, including criteria for quality, product safety, environment, chemicals and code of conduct compliance.

**Clean production** focuses on an efficient use of resources and on reducing energy and waste. The production units apply management systems such as ISO 9001 and ISO 14001.

**Sustainable solutions** are defined as innovative, safe and environmentally sound hygiene products and services. SCA's innovations are based on consumer and customer insight with a focus on meeting needs in daily life.

### Life cycle assessments

SCA has used life cycle assessments (LCAs) since the early 1990s. An LCA illustrates the complete environmental impact of a product based on the ISO 14040 and 14044 standards. It is a standardized measurement of environmental impact in every phase of the product, from raw materials, product development, production and use to disposal of waste.

For each activity in the life cycle, an LCA calculates the input of resources, energy and transportation and the output of, for example, emissions to air and water.

The result of an LCA is expressed in environmental impact categories. The LCAs conducted by SCA cover the main impact categories that describe the potential impact on global warming/climate change, meaning the product's car-

bon footprint, acidification of rivers and lakes and eutrophication of land or water systems.

LCAs are used both to calculate the environmental performance of new innovations and to measure the gradual improvements over time for product assortments, such as the carbon footprint reductions in Europe for absorbent products. All results below are third-party verified by the Swedish Environmental Research Institute (IVL).

Product	Carbon footprint reduction 2008–2013, %
TENA Flex	7
TENA Lady	10
TENA Men	12
TENA Pants	18
TENA Slip	14
TENA Comfort	14
TENA Bed	15
Libero open diaper	24
Libero pants	12

Life cycle assessments are calculated biannually. The carbon footprint results are third-party verified by IVL, Swedish Environmental Research Institute.

#### Definition of People and nature innovations

SCA's People and nature innovations are defined as inventions that lead to social or environmental improvements. The social assessment criteria include health, hygiene, working conditions, ergonomic improvements, as well as dignity and confidence in social situations. For the environmental assessment, performance and resource efficiency are measured using life cycle assessments and/or third-party labels are taken into account.

#### People and nature innovations 2014

In 2014, SCA developed a number of People and nature innovations, a number of which are presented on pages 12–13.

[Read more about our People and nature innovations target on page 12.](#)

## Product safety

SCA follows strict requirements and procedures to ensure that all materials in the company's products are safe for consumers, employees and the environment. SCA has a global product safety position in place for all products to ensure that they are safe for their intended purpose. SCA's Global Supplier Standard includes quality, product safety, environmental and social requirements, and SCA works closely with its suppliers to ensure that its high standards are met.

The food industry is an influential customer for SCA's kraftliner business (packaging papers) and imposes stringent requirements on product safety. SCA ensures that all fibers in its packaging materials meet these requirements, regardless of whether they are fresh or recovered fibers.

The chemicals used in the production process are managed under strict controls, and potential exposure to employees, customers and the environment is evaluated. Only chemicals that meet SCA's stringent safety requirements are chosen.

The regulations most relevant to SCA concern product safety, medical devices, materials for food contact, chemical substances, cosmetics, biocide products and electronics. SCA monitors the development of all relevant regulations and ensures the environmental and human safety of all its products.

#### Animal testing

SCA has a restrictive view on the use of animal testing and is committed to reducing animal testing to the very minimum. SCA does not test its products or materials on animals unless required by law. SCA actively supports development of alternative testing methods and is an industry partner of the European Partnership for Alternative Approaches to Animal testing (EPAA).

#### Palm oil

SCA's tissue, baby, feminine and incontinence care products do not intentionally contain palm oil or palm oil derivatives. A small share of the Group's products, such as wet wipes and cosmetic products like soaps, lotion or creams, may contain palm oil or palm oil derivatives.

SCA frequently reviews its product portfolio and its supply chain in relation to palm oil usage. The company is a member of Roundtable on Sustainable Palm Oil (RSPO) and actively supports the development of sustainability criteria. SCA plants and suppliers who use palm oil and/or palm oil derivatives are requested to achieve RSPO certification. SCA strives to have only certified palm oil and palm oil derivatives in its supply chain.

## Hygiene solutions

SCA offers hygiene solutions for different phases and aspects of life across markets all over the world.

#### Incontinence care at nursing homes

Through TENA Solutions, SCA helps nursing homes provide the best care by offering procedures, analysis tools and training combined with innovative product solutions. The advantages include improved well-being for the residents, better working environments, a reduction in resource consumption and lower overall costs. A study\* of 180 nursing homes around the world that have implemented TENA Solutions showed clear improvements in 95% of the cases.

- 38% less leakage
- 47% improved skin conditions
- 44% more time for rewarding care
- 29% lower cost (related to incontinence care)
- 37% less laundry
- 31% less waste

\* Information based on 181 TENA Solutions case studies around the world, mainly in Europe but also in the US, Canada and China, 2011–2013.

#### Incontinence care at home

The Optimum Continence Service Specification, a report initiated and supported by SCA, was launched at the 2014 Global Forum for Incontinence in Madrid, Spain. The study suggests there could be significant benefits for patients and the health and social care system if policy makers and payers place greater emphasis on continence, and adopt a more integrated approach to assessment and treatment. The aim of this study is to address the shortage of clear guidance for payers and providers across the globe about how to configure services to deliver cost-effective, evidence-based and high-quality patient-centered care.

[Read more about our Hygiene solutions target on page 14.](#)



# Value creation for people

## Management approach

SCA's overall social management approach is to assess how the company impacts and interacts with people where it operates, and to develop strategies for establishing good relations with key stakeholders everywhere. SCA's main steering document in the area of social responsibility, the SCA Code of Conduct, defines relevant areas for the company to manage and excel in, thereby contributing to social sustainability in the Group's operations, and for various stakeholders along our value chain. This chapter describes SCA's work related to its most important social aspects.

Strategic components	
Policies	Sustainability Policy Code of Conduct Global Supplier Standard Group Health and Safety Policy Community Relations' instruction
Targets and KPIs	Code of Conduct Employee Health and Safety
Data	See Supply chain management See Employee relations See Community relations See Social data
Management systems, programs and certifications	Sedex OHSAS 18001 Global System for Performance Review and Development Planning SCA Leadership Platform
External charters or initiatives	UN Guiding Principles on Business and Human Rights UN Global Compact European Works Council Industri ALL

## Code of Conduct

The SCA Code of Conduct, the Group's main social management policy, helps SCA transform its values into action. A number of systematic activities, such as risk analyses, training, audits and monitoring processes, are closely aligned with the Code of Conduct to ensure compliance. The implementation of the Code is a continuous process.

### SCA's Code of Conduct

SCA's Code of Conduct was first introduced in 2004, and most recently updated in 2013. The Code helps transform SCA's core values of respect, responsibility and excellence into action. SCA's Code of Conduct applies to all employees within the Group.

SCA's Code of Conduct is based on international standards, including the UN Declaration of Human Rights, the ILO Core Conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles and related legislation. All employees are provided with the necessary knowledge and other prerequisites to comply with SCA's values and Code of Conduct.

### Code of Conduct training

SCA implements its Code of Conduct and verifies compliance through training, audits and business practice reviews. All employees are regularly trained in Code of Conduct compliance, including guidelines on business practices, human rights, how to counter corruption, unethical behavior and how to deal with ethical dilemmas that may arise. In 2014, SCA launched a Group-wide training initiative aimed at all employees. Employees were able to participate either online or via face-to-face training. At year-end, 93% (91) of employees had undergone training in SCA's Code of Conduct.

### Updated complaint procedure

SCA offers its employees a number of channels for reporting breaches of the Code of Conduct, such as through their line manager, HR Director, legal counsel or union representative. In addition, there is a dedicated e-mail address and, in the UK and SCA's joint venture company in Colombia, there are third-party-operated hotlines. This way, employees may file anonymous reports.

In connection to the launch of the new Code of Conduct, an updated process for reporting and managing complaints and potential misconduct was introduced. This process provides more clarity as to what to report and the assignment of responsibility among the parties involved.

### Policy review

In 2014, SCA updated its policy for business air travel. Business air travel is not permitted for hospitality, nor are spouses or relatives permitted to use the service.

### Reported breaches in 2014

In 2014, there were a total of 78 reported and closed cases of potential violations of the Code of Conduct. Another 7 cases were reported in 2014 but were still under investigation at year-end. Of the 78 cases closed in 2014, seven originated from a party with a business relationship with SCA, such as a customer, supplier or contractor. Three of the reports were confirmed as actual violations.

A total of 40 (21) cases were confirmed breaches. 18 cases were defined as discrimination and harassment, six cases as corruption and ten cases as misuse of company assets. The remaining six cases were related to other SCA policies. The most common misconduct involved verbal abuse and threats (7), and manipulation of expense or production records (5). Other misconduct included requesting kickbacks from customers, not reporting conflicts of interest and running side-businesses.

Disciplinary action was taken in all cases of verified breaches. A total of 35 employees were

dismissed, 24 received warnings and eight were subject to other measures, for example, resigned from the company.

### Code of Conduct audits

SCA uses audits to monitor compliance with the Code of Conduct. Audits are carried out to satisfy customer requests, as well as to improve SCA's operations.

The facilities to be audited are determined by such factors as the social and environmental risks in the country of operation, whether the facility is a recent acquisition or if there are any indications of non-compliance with SCA's policies.

The content of the audits emanates from SCA's Code of Conduct, while the approach and methods are based on the SA8000 standard. The audits are conducted by cross-disciplinary teams from SCA, and include representatives from the internal audit, human resources and sourcing functions. The audits involve a review of documentation, inspection of the facility with a focus on health and safety, and interviews with managers, employees and union representatives. SCA dedicates a great deal of time to interviewing employees, since these conversations are highly relevant to understanding how SCA's policies are perceived and put into practice.

Every audit results in a report and action plan for the audited unit, which are followed up. The results of the audits are reported to SCA's Board via the Audit Committee.

### Results 2014

In 2014, Code of Conduct audits were conducted in China, Russia, Spain and Turkey. The Chinese site was incorporated into SCA after the 2012 acquisition of the hygiene products company Everbeauty. In 2013, a review revealed deficiencies in health and safety and HR-related processes. The 2014 audit showed significant improvements. The plant was closed down later in 2014 due to the integration of SCA's and Vinda's businesses in China.

The audits in Russia and Spain generated positive feedback from employees. Both sites were instructed to make minor improvements with respect to overtime and health and safety. The site in Turkey had made improvements since a safety visit conducted in 2013 and only a few inconsistencies were noted. Employee communication was one area that needed to be strengthened.

### Joint ventures

SCA encourages its joint-venture companies to adopt a code of conduct and policies corresponding to the SCA Code of Conduct. In 2014, SCA conducted a workshop with its largest joint-venture company, Familia in Colombia, supporting the company in updating its Code of

Conduct to ensure it is aligned with the SCA Code. Familia's new code will be adopted and implemented in 2015.

SCA's MEIA (Middle East, India and Africa) business unit started Sedex reporting in 2014, resulting in a number of improvement areas. Following discussions, improvements have been implemented related to policy, training and communication. Improvements in the water and sanitation areas are also planned.

#### Risk management

SCA assesses and manages its operations to address social, environmental and other operational risks. This method is used, for example, to identify risks in the Code of Conduct monitoring process. SCA monitors the Code of Conduct through reporting systems and auditing of specific operations.

#### Human rights and corruption risks

SCA's human rights and corruption risk analysis is based on assessments carried out by Amnesty, Sedex and Transparency International. Approximately 17% (12) of SCA's revenues are generated in countries with a relatively high risk of human rights violations. About 27% (23) derive from countries with a relatively high risk of corruption. The increases are due to SCA's merger with Chinese company Vinda and changed accounting rules resulting in the inclusion of 100% of certain joint-venture companies of which only 50% was previously included.

SCA's risk assessments are also included in the Group's audits in connection with acquisitions.

SCA regularly revises its business practices in various parts of the organization. These reviews also contribute to SCA's risk control.

Guided by the United Nations Guiding Principles (UNGP) on Business and Human Rights, SCA has cooperated with the non-profit organization BSR to conduct a corporate-level human rights due diligence. The purpose of the assessment was to identify potential gaps in how SCA manages human rights and to ensure that it meets its corporate responsibilities prescribed in the principles. The assessment was performed through a comprehensive documentation review, as well as management interviews with 17 key staff in SCA with various functions and at various locations. The review concluded that SCA is appropriately managing human rights in most areas, although some areas of improvements were suggested. An example was to have a more holistic assessment of risks related to different categories of suppliers. SCA also closely monitors the latest developments in how to further integrate human rights into business and participates in the Swedish Network for Business and Human Rights, as well as UNICEF's Swedish Network for Business and

Children's Rights. The purpose of these networks is to learn from best practices and share common challenges.

#### Anti-corruption

Anti-corruption is included in SCA's Code of Conduct. In 2013, SCA introduced a new anti-corruption policy, aligned with legislation such as the UK Bribery Act, for increased focus and transparency. SCA must conduct all activities in accordance with applicable laws and regulations, and all corrupt activity is strictly prohibited.

SCA conducts regular corruption risk assessments. This includes due diligence audits of suppliers and other business partners.

#### Anti-corruption e-learning

SCA's anti-corruption policy was combined with a widespread training initiative throughout the organization. SCA's employees with extensive external contacts, such as sourcing and sales personnel, were the primary target group of this initiative. In 2014, the anti-corruption e-learning course was further developed and translated in 20 languages to reach a broader target group.

#### Business practice reviews

SCA's business practice reviews are conducted by the internal audit unit. The reviews focus on business ethics and SCA's relationships with customers, suppliers and authorities. The reviews are based on documented studies and interviews with up to 20 managers and the people responsible for sales, sourcing and any other functions considered to be exposed to corruption risk. SCA also uses the reviews to discuss potential problem areas and how they should be addressed. Since the beginning of 2008, 14 reviews have been performed in as many countries. In the past five years, 30% (55) of SCA's operations in risk countries have been investigated. The countries are selected on the basis of Transparency International's corruption index in combination with SCA's net sales in the country. The large decrease is due to SCA's integration with Vinda, adding 17% to the base, Turkey advancing on the corruption index list, thereby adding to the base (3%), and the fact that it has been six years since Russia was reviewed (10%).

#### Results 2014

In 2014, a business practice review was conducted in Brazil. When SCA acquired the company in 2011, no code of conduct was in place. Since then, all 514 employees have been trained in the SCA Code of Conduct. However, SCA does not have a formal agreement that binds agents to act in accordance with the Code. Agreements will be established.

A follow-up visit was conducted in South Korea. The majority of the recommendations

from the 2013 audit had been implemented with a few remaining issues.

#### Sedex

The database provided by Sedex (the Supply Ethical Data Exchange) has been central to SCA's internal risk management and Code of Conduct monitoring since 2011. SCA and other Sedex members use the database to store, share and report on information pertaining to working conditions, health and safety, the environment and business ethics. Thanks to SCA and other manufacturers sharing information with each other, efforts related to workplace inspections and audits are made more efficient, at the same time as transparency increases.

The Sedex system includes an extensive self-assessment questionnaire (SAQ) and a risk assessment tool. The tool has been developed by Maplecroft and is based on a balance between risk data at the country level and in the relevant industry, and on responses to the SAQ. SCA's facilities perform the self-evaluation in Sedex. The answers are then used for the purpose of risk classification of the units. In the 2014 Sedex assessment, all of SCA's main facilities received a low to medium risk classification and no facility was classified as high risk.

The Sedex system has enabled SCA to assess its own operations, and the results help determine the focus of the company's audits and other initiatives aimed at improving conditions at our facilities.

Many customers also request information about SCA's supply chain via the Sedex system and this enables them to compare SCA with other companies in the industry.

68 (68) of SCA's facilities, including all main sites, use the Sedex system to report information. In addition, three facilities in joint ventures in Tunisia and Algeria began reporting their data in Sedex in 2014.

[Read more about our Code of Conduct target on page 18.](#)

## Supply chain management

Choosing responsible business partners is becoming increasingly important and SCA works together with its suppliers to make mutually beneficial improvements with respect to social and environmental performance.

#### SCA's supplier base

SCA has about 58,000 suppliers of goods and services, from which it has identified a supplier base consisting of regional and global suppliers. The supplier base consists primarily of raw material suppliers, as well as suppliers of critical services, such as marketing, IT and travel, which

together account for two-thirds of the Group's total purchasing costs. The remainder includes local suppliers, with whom various activities were initiated in 2014 with the aim of further incorporating them into the Group's supplier base.

At year-end, 71% (75) of the hygiene operations' about 650 (500) global suppliers had signed the SCA Global Supplier Standard (GSS). 150 new suppliers were added to the global supplier base which explains the decrease. In fact, 100 additional suppliers signed the GSS in 2014. Of forest products' 29 (30) largest suppliers, 83% (60) had signed the Global Supplier Standard.

### Supply chain management tools

When it comes to supplier requirements and follow-up, SCA works with and assigns priority to three distinct steps:

- 1. Global Supplier Standard:** All global suppliers to the hygiene and forest products operations undertake to comply with SCA's policies by signing the Group's Global Supplier Standard (GSS).
- 2. Sedex database:** SCA's strategically important suppliers, from which substantial purchases are made and/or which are located in high-risk countries, are registered in Sedex.
- 3. Audits:** Suppliers located in high-risk countries are audited and all major suppliers undergo quality audits, which also include verifying workplace health and safety.

### Global Supplier Standard

SCA has applied a Global Supplier Standard (GSS) for many years. The GSS was last updated in 2011 to reinforce sustainability criteria. The standard includes requirements governing quality, product safety, the environment, energy and chemicals. The GSS is complemented by SCA's Code of Conduct, which means that SCA imposes the same social responsibility requirements on its suppliers as on the Group's own operations.

The hygiene and forest products operations each apply individual versions of the GSS. The basic principles are identical, but certain differences exist due to the diverse nature of the operations' supply chains.

Approximately 51% of the hygiene operations' global suppliers are located in Europe, 14% in the US and 16% in Asia. Many of the production facilities located in Asia belong to large multinational corporations based in Europe and the US.

SCA is Europe's largest private forest owner and 52% of wood raw materials used in the forest products operations are sourced from the Group's forests. The remainder is sourced from suppliers, many of which are located in Sweden. SCA strives to further integrate procurement practices with the requirements in the SCA Global Supplier Standard.

### Reporting in Sedex

SCA's strategically important suppliers, from which substantial purchases are made and/or which are located in high-risk countries, are reg-

istered in Sedex. This is where the Group takes into account geopolitical, social, ethical and sustainability-related risks.

At the end of 2014, 68% of the approximately 500 global suppliers to the hygiene operations that were relevant for Sedex registration had reported their details in the database.

In 2014, the forest products operations identified 40 global suppliers for reporting in Sedex. The implementation of Sedex reporting is currently ongoing for these suppliers.

### Supplier audits

Suppliers located in high-risk countries undergo Code of Conduct audits with a focus on health and safety, human rights, employee relations and corruption. SCA uses Sedex and Maplecroft's risk classification to identify these suppliers. The goal is for all global suppliers in high-risk areas to be audited before the end of 2015. To achieve this goal, SCA has engaged a Swiss-based external partner, SGS, to perform audits. The method used to evaluate suppliers is the same as that used to monitor SCA's own units.

The Group evaluates potential suppliers prior to contracting and continues to review suppliers at regular intervals. Sustainability aspects account for more than 20% of SCA's quality assurance prior to new partnerships. SCA also conducts quality audits and chain of custody audits of fiber suppliers.

### Audit results 2014

During the year, SGS carried out about 25 Code of Conduct supplier audits on SCA's behalf in Turkey, Pakistan, China, Malaysia and Mexico. SCA's global purchasing function considers sustainability performance when evaluating suppliers.

Suppliers receive feedback in connection with the audits and when SCA's purchasers determine whether to continue the collaboration. SGS works together with suppliers to resolve any non-compliance issues. In most cases, these are minor health and safety issues. Should SGS identify instances of serious non-compliance, these issues are passed on to SCA's sourcing function. To further promote sustainability performance at suppliers' units, SCA asks suppliers to provide feedback about the Group. This is especially important since SCA's actions often affect suppliers' ability to comply with expectations and requirements.

No agreements with global suppliers were terminated on the grounds of sustainability-related non-compliance in 2014.

### Control of cotton providers

Some of SCA's hygiene products contain by-products from the cotton industry. The volumes are exceedingly small but since cotton agriculture is associated with social risks, SCA pays particular attention to cotton farming.

During the year, SCA terminated business relations with one cotton fiber supplier due to a lack of transparency and cooperation. Six other

cotton fiber suppliers were audited with only minor remarks.

SCA is shifting its sourcing from potential high-risk countries to areas with greater transparency and lower risks. This is because SCA's purchasing levels do not provide the company with sufficient influence further down the supply chain. By the end of 2014, SCA had shifted approximately 80% of its volumes to areas with a lower risk level.

### Control of forest contractors

SCA's forest operations almost exclusively use contractors for harvesting and silviculture. Contractors hired by SCA undertake to comply with applicable laws and regulations, including collective agreements and SCA's Supplier Standard. In recent years, SCA has markedly strengthened the requirements imposed on contractors. Among other stipulations, the following are included in agreements with contractors:

- The contractor must be a member of an employers' organization or have a local collective agreement in place with the GS union (the Swedish union of forestry, wood and graphical workers).
- The contractor must adhere to the rules under the forest worker agreement relating to work environment, working hours and pay.
- The contractor must comply with the guidelines relating to employees' rights as stipulated in the FSC® and PEFC™ forest standards.
- The contractor must practice a systematic health and safety program and must have carried out at least one follow-up during the past year.

SCA has also further developed and simplified its assessment methods for health and safety and employment terms.

### Monitoring in 2014

SCA follows up compliance with the above standards together with its contractors. In addition, field spot checks are performed by both the GS union and SCA.

In summer 2014, SCA carried out extensive controls of its silviculture contractors. Visits were made to 51 teams with a total of 262 employees, of which 210 individuals were interviewed. 223 employees were from countries other than Sweden, and of those, 10% came from countries outside the EU/EES. Two employees lacked documented training in relation to the work for which they were employed, and in some cases, the compensation paid for travel time between workplaces was not in accordance with the collective agreement. SCA is reviewing how to improve the process. All other conditions were compliant with SCA's requirements, as well as applicable laws and collective agreements.

[Read more about our Code of Conduct target on page 18.](#)



## Health and Safety

Health and safety is absolutely fundamental to SCA's operations. SCA has a zero-accident vision and safety in the workplace is highly prioritized.

### Employee health and safety target achieved

In 2014, SCA's accident frequency rate (FR) was 6.7 (8.4) per 1,000,000 working hours, representing a 26% decline compared with the reference year 2011. With this, SCA's target of a 25% reduction in its accident frequency rate in the 2011-2016 period has been achieved. The European AfH business reported the largest improvement, with a 47% FR reduction compared with 2011. One key factor behind the decline was a nip campaign, which focused on areas where body parts can become entrapped.

For the second consecutive year, no fatalities were reported.

### Safety policy and governance

SCA has a Group Health and Safety Policy and the Group's governance system encompasses risk assessment, training, targets and monitoring in the safety sphere. There are health and safety committees on which representatives of about 96% (95) of the workforce serve. 74% (67) of employees are covered by formal trade union agreements in which health and safety issues are addressed on a regular basis. In addition, a reference team has been in place since 2009 with responsibility for coordinating Group health and safety matters. All SCA facilities have procedures in place to increase workplace safety.

### Certified management system

SCA implements the international OHSAS 18001 (Occupational Health and Safety Assessment Series) standard to ensure that uniform processes are deployed across the Group, and that SCA units continuously improve their workplace health and safety. The aim is that all main sites will receive OHSAS accreditation by 2016. At the end of 2014, 51% (45) of SCA's 67 main sites were certified.

OHSAS specifies requirements for an organization's occupational health and safety management systems. The standard promotes the deployment of a systematic approach and continuous improvement of the work environment.

### Group-wide key performance indicators

In recent years, SCA has worked intensively to systematize and improve its safety work. SCA uses the following Group-wide KPIs:

- Number of Lost Time Accidents (LTA): accidents that result in an employee missing the next regularly scheduled work day or shift.
- Days Lost due to Accidents (DLA): number of work days lost due to an LTA.
- Accident Severity Rate (ASR): The DLA / LTA.
- Frequency Rate (FR): LTA / 1,000,000 hours worked.
- Incident Rate (IR): LTA / 200,000 hours worked.
- Number of fatalities.

### Safety statistics

	2014	2013
Lost Time Accidents (LTA)	375	488
Days Lost due to Accidents (DLA)	6,582	8,120
Accident Severity Rate (ASR)	17.6	16.6
Frequency Rate (FR)	6.7	8.5
Incident Rate (IR)	1.3	1.7
Fatalities	0	0

Data for 2013 is recalculated for acquisitions and divestments. 100% coverage for production and logistics and excluding sales offices and administration.

During the year, 43 accidents (57) were reported among contractors.

### Close-call reporting

Reliable close-call and accident reporting is key; it is vital to analyze both serious and less serious occurrences to ensure that they are not repeated.

SCA has a reporting system for accidents and close-calls in place. Employees use it to report accidents and close calls, meaning events that could have led to an accident. The system significantly improves SCA's ability to perform risk assessments, analyze and improve working methods, and continuously monitor performance.

In the event of a critical incident, information is communicated to the entire Group, enabling all units to take part in the recommendations and learn from the occurrence. Another part of the unit procedures involves gathering data from the reporting system on a weekly basis so that safety can be addressed at staff meetings. The system also allows for best practices to be disseminated throughout the Group.

Since the introduction of the system several years ago, it has been noted that, to all appearances, many LTAs are the result of trivial causes. For example, accidents may be caused by slips, trips and falls of a less serious nature, which should be preventable. It was also observed that some units need to increase their focus on manual work and ergonomics.

### Zero-accident sites

20 sites reported zero accidents in 2014: Timber France (France), Witzhausen (Germany), Cuijk (Netherlands), Svetogorsk (Russia), Sovetsk (Russia), Veniov (Russia), Gemerská Hôrka (Slovakia), Hlohovec (Slovakia), Allo (Spain), Mediona (Spain), SCA Energy (Sweden), BM Scandinavia Tunadal (Sweden), Manchester (UK), Oakenholt (UK), Timber Supply Melton (UK), Cairo (Egypt), Amman (Jordan), Kliprivier (South Africa), Bouhjar (Tunisia) and Istanbul (Turkey).

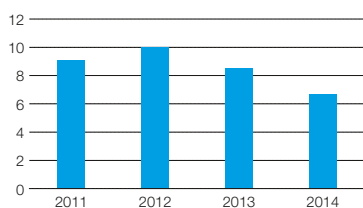
### Joint industry action

Health and safety risks in the pulp and paper industry tend to be higher than those in the engineering industry. Therefore, SCA's forestry operations participate in several industry collaboration projects to promote safety.

A working group focusing on occupational health and safety has been formed within the Swedish Forest Industries Federation. The objective is to support the safety programs of member companies by offering various resources for raising awareness and sharing knowledge.

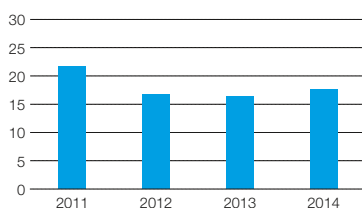
Another valuable contribution is being made by the SSG (Standard Solutions Group) safety committee, through which companies in the

### Accident Frequency Rate (FR)



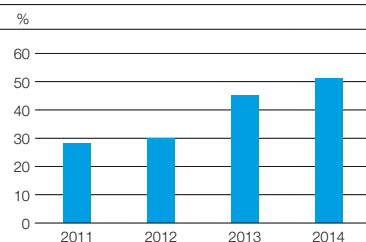
The accident frequency rate declined sharply in 2014. SCA's European AfH business reported the most significant improvements.

### Accident Severity Rate (ASR)



The accident severity rate rose in 2014, a common consequence when the frequency rate declines.

### OHSAS 18001-certified sites



Four sites were certified under OHSAS 18001 during 2014.

pulp industry come together to learn from one another. SSG sets technical standards and recommendations and provides information and advice.

**Healthy workplaces**

SCA also works proactively with employee health and well-being. Each business unit is responsible for formulating a structure for fitness that suits their own operations. SCA's efforts encompass measures such as better ergonomics, quit-smoking campaigns, dietary training, support in work-life balance and advice in handling difficult illnesses.

Since 2008, SCA's North American operation has had a health program that includes encouraging a healthy lifestyle and regular, voluntary health check-ups, as well as early identification of health risks. The European hygiene operations prioritize efforts for improving its employees' lifestyle and health, particularly when older employees are concerned. The goal is good health, fewer sick days and higher productivity.

In addition to promoting health and safety at its sites, SCA checks suppliers' practices and collaborate with them to improve safety performance.

[Read more about our Employee Health and Safety target on page 20.](#)

**Employee relations**

Our success depends upon having motivated, high-performing people, working together, with a drive to constantly improve and deliver the best value for all our stakeholders. SCAs core values respect, responsibility and excellence defines our approach to work and behavior patterns. SCA comprises 44,247 (34,004) employees in some 60 countries, of whom 32% (28) are women. The employee turnover rate is 17% (15).

**Diversity**

For SCA, diversity extends beyond the typical attributes, such as gender and ethnicity – we value a mix of diverse personalities, experiences and knowledge. SCA's Code of Conduct states that each employee is to be treated with respect and be given the opportunity for personal and professional development.

SCA strives for a higher proportion of women in management positions. In 2014, the proportion of women among SCA's senior management\* was 25% (24) and 29% (25) among senior/middle management\*. Since 2007, the share of female managers has almost doubled.

Senior management comprised 25 (18) different nationalities and the corresponding figure was 39 (41) for senior/middle management. Encouraging greater diversity is part of SCA's leadership platform and succession planning.

**Employer branding**

SCA's recruitment policy is based on having the right person for the right position at the right time and at the right cost. To realize this strategy, SCA works intensively with employer branding. These efforts are based on thorough research into the needs and requirements of potential employees and SCA's recruitment criteria.

In 2014, SCA continued to develop its global employer brand "Life Inspiring Careers." SCA extended its cooperation with chosen universi-

ties in countries identified as critical from an HR perspective. SCA ran a design contest, using its participation with its Team SCA in the Volvo Ocean Race to promote the Group as an attractive employer.

SCA's GO! program is a chance for newly graduated students to get their very first job in engineering, marketing and sales. It offers young professionals a chance to gain valueable working experience, develop their skills and build up a professional network.

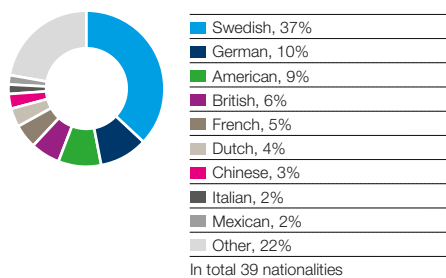
These employer branding efforts are beginning to yield results; the number and quality of applicants for all graduate positions have changed significantly.

**Professional development**

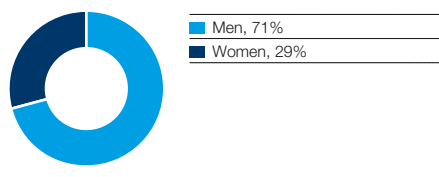
All professional development at SCA reflects a combination of business needs and individual aspirations. SCA strives to ensure that all employees have an individual development plan that is defined and followed up during annual performance reviews. To manage development in a structured manner, SCA has a global system for performance review and development planning (GPS) in place. The reviews identify the skills and abilities necessary for employees to achieve the stated targets and whether the individual needs to develop in any specific areas. The employees and managers agree on the manner in which these skills should be secured, primarily through internal development opportunities. The objective is to follow up the performance of every employee twice a year. In 2014, 89% (70) of white-collar employees participated in performance management reviews. The corresponding number for blue-collar employees is 75%. The performance reviews are sometimes conducted individually and sometimes in teams.

SCA also believes in the importance of cross-border learning, and therefore sees the benefit of mixing participants from different countries, functions and organizational levels.

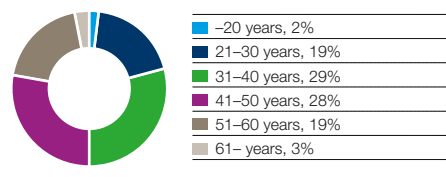
**SCA's senior and middle management\* by nationality 2014**



**SCA's senior and middle management by gender 2014\***



**Employee age distribution SCA Group 2014**



\*Senior management comprises the highest level of management group below the Corporate Senior Management Team (CSMT). The number varies over time due to organizational changes and consists of 110-150 managers. Middle management consists of 750-1,000 managers.

All training has a clear link to SCA's daily activities, and involves real-life strategies, cases and assignments.

Significant emphasis is placed on continuous on-the-job learning through different experiences. Most development activities are thus connected to daily work and real-life situations. To enhance specific capabilities, SCA also has a number of common formal development programs. The average number of training hours per employee was 22 (20).

#### Leadership development

The SCA Leadership Platform defines what is expected from all SCA leaders. All leadership development activities are directly linked to this platform. To enhance specific leadership capabilities, there are five main development programs:

**Leadership@SCA:** Mandatory one-day onboarding program for all newly appointed leaders. The course focuses on SCA's strategies, processes and tools, as well as general leadership and expectations placed on leaders. About 965 new managers completed the course in 2014. In addition, many management teams participated in the program as a refresher course in leadership behavior and processes.

**Core 1:** A six-day program is offered to further develop leaders that have been in their role for six to 12 months. The program aims to further develop their capabilities to effectively lead others. During 2014, 297 participated in this program.

#### Creating Value and Driving Business

**Performance:** Two courses are offered to further strengthen participants' capabilities in strategic leadership areas. In 2014, 121 leaders participated in these programs.

**Core 2:** To develop people's capabilities to lead in a complex environment, engage people and drive change, SCA developed and piloted a new leadership program in 2014. The program will be implemented during 2015.

In 2014, SCA developed shared platforms for specific functions that are very similar to the leadership platform. SCA has corresponding development programs for its marketing and other personnel, and will continue to implement selected programs for other functions in 2015. As with the leadership platform, the majority of development activities focus on continuous on-the-job learning through different experiences.

#### All-employee survey

SCA carries out an employee survey every second year. The latest survey was conducted in 2013, and received 25,628 (31,569) responses from employees at wholly owned companies, which corresponds to a total of 86.3% (81.8) of the workforce.

The survey covers a total of 47 aspects in nine dimensions. The results are expressed as an index for leadership, innovation, customer orientation and engagement, as well as an overall index. The overall index for 2013 was 70 (69).

In general, SCA views these results as confirmation of the strength of its corporate culture, since the extensive reorganizations carried out in recent years have not degraded results. All managers will prepare action plans together with their employees based on the outcome of the employee survey.

The next employee survey will be carried out in 2015.

#### Employee relations and union activities

Transparent communication is fundamental to the trust between SCA and its employees, as well as their representatives. Employees are encouraged to raise issues relating to employment and health and safety with their line manager. SCA

recognizes the right of all employees to join unions and to partake in union activities. Union involvement varies among SCA's countries of operation, but on average 65% (67) of SCA's employees are covered by collective agreements.

#### The European Works Council (EWC)

The European Works Council (EWC) represents about 20,000 of SCA's employees. SCA meets the EWC and other employee representatives on a regular basis to inform them of and discuss matters such as the Group's performance and earnings, as well as health and safety and employment terms and conditions. The aim is to communicate changes well ahead of time.

Since 2013, SCA has also had an agreement with IndustriALL Global Union. IndustriALL represents 50 million employees in 140 countries in the mining, energy and manufacturing sectors. The organization was formed in 2012, combining several union organizations, including the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), which previously represented SCA employees. The content of the agreement with IndustriALL largely coincides with the previous arrangement with ICEM. The Swedish Paper Workers Union is also encompassed by the agreement with EWC and IndustriALL.

#### Alternative forms of dialog

In parallel with SCA's expansion, the Group encounters new circumstances and challenges, including challenges pertaining to its employee dialog. When there is no union representation, SCA establishes other channels where possible, such as workers' councils.

In companies where SCA is not the sole or majority owner, efforts are made to exert an influence through the Board. The aim is to ensure that these companies also apply the principles of SCA's Code of Conduct and thus respect each employee's entitlement to freedom



of association. The Group's approach has proven successful, for example, in its joint ventures in Turkey and Colombia.

**Organizational changes**

The notice period in connection with organizational changes in the Group varies, but averages about five weeks. In connection with organizational changes, SCA works to support the employees affected. This is done through discussions with labor unions at an early stage and by preparing a social action plan that is adjusted to local conditions. The action plan normally includes assistance in seeking employment and/or education. Other tools include severance pay, early retirement and financial incentives for those who find new jobs before the end of the period of notice. Support services may comprise individual career counseling or administrative support.

In 2014, sites were closed down in China, Spain, Ireland and the UK. The close-downs, together with other restructuring measures, affected a total of about 1,500 employees.

In China, four SCA entities were reorganized due to SCA's integration with Chinese company Vinda. Some 736 SCA employees were affected, of which 167 joined Vinda. Out of 349 third-party employees, 53 joined Vinda. Severance pay in excess of the legal requirements and outplacement support was provided.

In Spain, 160 employees were affected by restructuring measures, of which 85 were employed at SCA's plants in Allo and Valls. All of the employees made redundant were offered outplacement support and received severance pay that was higher than the legal minimum. Relocated employees were offered a relocation package.

In the UK and Ireland, SCA paid above the statutory requirements to all 136 employees affected. In the case of site closures (Oughti-bridge and Finglas), training and local human resource support was offered in addition to outplacement support.

**Community relations**

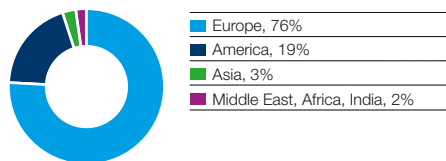
SCA strives to be a dedicated partner in the local communities in which we operate.

In accordance with SCA's guidelines for community involvement, the company prioritizes initiatives with a clear link to SCA's values, expertise, operations and geographic presence. Many of SCA's efforts are related to hygiene and health, and are often directed at women and children. No political or religious views may be expressed in association with the company's activities.

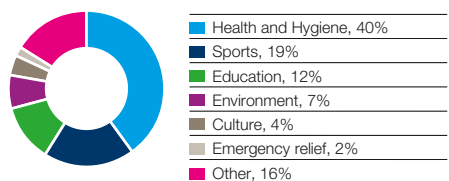
SCA's initiatives include both large-scale investments and small projects with a local focus. Apart from adding valuable experience and knowledge to SCA, the company's community efforts add value by boosting employee pride in the Group and strengthening customer loyalty.

In 2014, SCA invested approximately SEK 24m (34) in local projects, corresponding to 0.2% of operating profit. About 300 projects were registered in the company's web-based collection tool. Most of the projects were related to hygiene and health.

**Community relations by region**



**Community relations by focus areas**



# Value creation for nature

## Management approach

SCA's overall environmental management approach is to enhance the operations' positive environmental contributions, while minimizing their negative environmental impact. This chapter describes SCA's work related to its most important environmental aspects.

Strategic components	
Policy	Sustainability Policy Code of Conduct
Targets and KPI	Climate and energy Fiber sourcing and Biodiversity Water
Data	See Resource Management System (RMS) See Environmental Data
Management systems, programs and certifications	ISO14001 Resource Management System (RMS) ESAVE (Energy) Chain of Custody – FSC® and PEFC™ Life cycle assessments (LCAs)
External charters or initiatives	UN Global Compact

## Climate and energy

SCA's efforts to reduce its climate impact and energy use are manifested through numerous projects, investments and modifications of processes, all of which contribute individually to the target of reducing CO<sub>2</sub> emissions.

### Major investments

Investments in new technologies and upgrades to existing solutions play a significant role in SCA's ability to achieve its CO<sub>2</sub> target. In January 2015, a new lime kiln was put into operation at the kraftliner mill in Munksund, Sweden. Unlike its predecessor, the new kiln is fueled with pellets instead of oil. This shift will reduce the mill's annual fossil CO<sub>2</sub> emissions by 20,000 tons, or 75%, and cut costs by SEK 50m per year.

SCA has invested SEK 380m and Sundsvall Energi SEK 100m in the BioCoop energy project, thereby increasing deliveries of energy from SCA's mills to the Sundsvall district heating grid and reducing oil consumption. The project involved the redesign and conversion of two boilers at Ortviken paper mill, enabling them to be fuelled with wood pellets, and connecting Östrand pulp mill to the Sundsvall district heating grid. The new boilers reduce SCA's carbon emissions by approximately 20,000 tons.

The company's investments in a biofuel plant in Nokia, Finland, and in pyrolysis technology in the Netherlands are described on pages 22–23.

### ESAVE

Since 2003, SCA's ESAVE energy-efficiency program has contributed to energy savings and improved efficiency in all operative business units. In 2010, SCA adopted a new target for ESAVE: to reduce energy consumption per ton of product produced by 14% by 2020. In 2014, 113 ESAVE projects were implemented, resulting in a 3.2% (1.8) reduction in energy used per ton of product produced. This corresponded to a decrease of 810,000 MWh in energy consumption compared with 2013. The accumulated energy savings in the 2010–2014 period amounts to 7.7%.

ESAVE encompasses investments in energy-efficient technical solutions, the involvement of employees in daily improvement activities and a general change in attitude toward the use of energy at SCA. Knowledge sharing is leveraged across the company through training and network events and ESAVE is part of several new, young engineers' onboarding program. A typical ESAVE project could involve reducing electricity consumption by improving or replacing pumps, compressors, fans or lighting. Experiences are documented and provide effective support for future improvement efforts.

### Transport

SCA monitors the environmental impact of its transport activities and is working on a broad front to reduce emissions. These efforts include increasing the fill ratio, applying various techniques to reduce fuel consumption and strengthening purchasing procedures. The Group's total carbon emissions from transport in 2014 amounted to 0.87 million tons (0.86).

### Shipping

Shipping accounts for 61 of SCA's total transport activities. The Group's three roll-on roll-off (RoRo) vessels cover about 10% of its shipping needs, with a total freight capacity of about one million tons.

A new regulation from the UN's International Maritime Organization was implemented as of January 2015. This new regulation reduces the permissible sulfur content in marine fuels from the current level of 1.0% to 0.1% in defined regions. SCA's vessels have been adapted for the use of low-sulfur fuel. The new regulation increases the Group's fuel costs by an estimated SEK 45m annually.

### Road transport

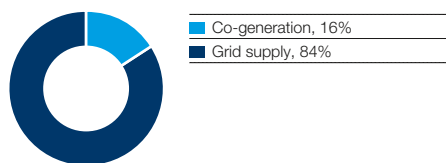
24% of SCA's freight is transported by road. In 2013, the Group initiated a far-reaching project aimed at coordinating the procurement of road haulage in Europe. In total, the tender included freight services valued at about EUR 200m. The project was successful, resulting in lower costs and reducing SCA's environmental impact.

SCA engages in a number of collaboration projects to cut transport emissions, including tests of vehicles using biomass-based fuels.

### Rail transport

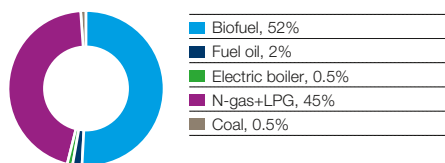
Rail transport accounts for 5% of SCA's total freight – this small share is partially due to restrictions in the rail network. Because rail

### Electricity consumption 2014



**Electricity consumption 2014:** 7,770 GWh  
The majority of SCA's electricity, 84%, comes from national grids, while 16% derives from electricity produced in the Group's co-generation plants.

### Fuel consumption 2014



**Fuel consumption 2014:** 58,085 TJ fuel  
A total of 45% of SCA's fuel consumption comes from natural gas and 52% from biofuel. Oil and coal account for a mere 2% and 0.5%, respectively.

transport is a carbon-efficient alternative, SCA is working with the Swedish National Road and Transport Research Institute (VTI) to investigate the possibility of running longer and heavier freight trains for forest industry goods.

**Emissions from business travels**

SCA is part owner in Bromma Business Jet, a provider of business air travel services to SCA and other companies. The corporate aircraft is primarily utilized by the CEO, the Corporate Senior Management Team and the Board of Directors. In 2014, CO<sub>2</sub> emissions from business air travel amounted to approximately 1,200 tons, which was fully offset by Bromma Business Jet in accordance with The CarbonNeutral Protocol.

**The EU Emissions Trading Scheme (ETS)**

SCA has 32 mills and plants included under the ETS. To date, SCA has had an annual surplus of emission rights. However, the new phase means that quotas are more limited than before. SCA's operations in the Nordic region will continue to produce a surplus, while its operations in the rest of Europe will have a certain deficit. This balance provides an average annual surplus of about 175,000 tons of carbon dioxide equivalents. This is lower than in the past, due to the fact that SCA's sawmills were not included in the carbon leakage list (see below). The surplus is the result of the measures implemented by SCA over an extended period in the form of energy-saving activities, process optimization, choice of fuel and major investments, such as new lime kilns in Munksund and Östrand in Sweden.

In 2014, the EU reviewed the industries that will receive a free allocation from 2015, known as the carbon leakage list. SCA's pulp and paper mills are included in the carbon leakage list and will receive full free allocations as of 2015. The market price for emission rights in 2014 was about EUR 6 per ton. SCA sold 1.1 million emission rights in 2014.

**Green bond**

As the first Swedish listed company to do so, SCA raised SEK 1.5bn through a green bond issue in 2014. The bond proceeds will be used for investments in projects with a positive environmental impact. Examples of investments include:

- The new lime kiln in Munksund described on the previous page.
- The BioCoop energy project, described on the previous page.
- New water treatment system in Lasso, Ecuador.

*Read more about our Climate and energy targets on page 22.*

**Wind power**

SCA's forest land in Sweden is well suited for wind power ventures.

**Wind power strategy**

SCA's wind power strategy is based on three main pillars.

- **Joint venture with energy producers:** SCA can be a co-owner in a wind power project, which is the case in the collaboration with the Norwegian companies Statkraft and Fred. Olsen Renewables. Statkraft and Fred. Olsen Renewables are funding the projects and SCA is providing the land.
- **SCA independently pursues wind power projects:** In certain cases, SCA is the initiator of wind power projects that may be divested, form part of a future collaboration or be operated independently by SCA.
- **SCA leases land to energy producers:** This could involve leasing sites for smaller wind farms or a case in which a larger wind farm uses a small part of SCA's land, but could also involve even larger projects.

**Joint ventures**

Statkraft SCA Vind AB, SCA's joint venture with Statkraft, operates 145 turbines, with an additional 41 turbines scheduled to be assembled in 2015. The production capacity at the end of 2014 was 1.1 TWh.

In cooperation with Fred. Olsen Renewables, SCA has submitted a permit application to construct a total of 150 wind turbines. The investment decision is expected to be taken during 2015 or 2016.

**Collaboration**

SCA's collaboration with E.ON had its starting point in applications initiated by SCA. E.ON took over the applications when the collaboration commenced in 2012 and added to them. The applications now encompass the construction of a total of 300 wind turbines. Pending a decision, E.ON and SCA are performing wind measurements in the area.

**Leasing land for wind power**

SCA has leased land to various energy producers for more than 1,000 planned wind turbines. 117 turbines are already in operation. Although the majority of these are small wind farms, they contribute to SCA's target for wind power production.

*Read more about our Climate and energy targets on page 22.*

**Biofuels**

Developing and producing biofuels is both an efficient use of resources and beneficial for a low-carbon economy.

**Update for 2014**

In 2014, SCA produced approximately 2.8 TWh (3.0) of biofuel-based energy, of which the production of forest-based biofuels accounted for approximately 687 GWh (909). The market situation, with a plentiful supply of competing fuels and low energy prices, has held back production.

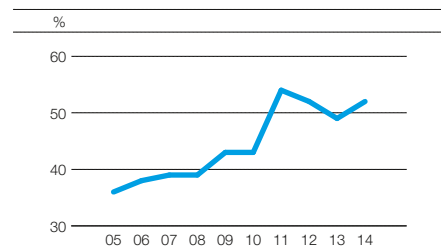
The forest-based biofuels comprise felling residue such as branches, crowns and stumps as well as fuel from peatland. Other biofuels are produced from the by-products of the mills, mainly sawdust, for pellet production.

**Fuel pellets**

SCA produces fuel pellets using sawdust from the mills at its pellet plants in Härnösand and Stugun in Sweden. In 2014, 176,000 tons of pellets were produced and 50% were sold to customers outside the Group. Fuel pellets are used in boilers of varying sizes, ranging from industrial scale to those used in the home. The market is currently characterized by narrow margins due to overcapacity. As a result of this situation, SCA is focusing on improving quality and increasing the internal use of pellets as a replacement for oil. A new pellet-fuelled lime kiln in Munksund was taken into production in January 2015.

*Read more about our Climate and energy targets on page 22.*

**Use of biofuel, 2005-2014**



SCA is working systematically to replace oil and coal with biofuel and natural gas, which has substantially increased biofuel's share of the energy supply.



## Fiber sourcing

Responsible sourcing is key for SCA and includes ensuring the Group's fiber comes from responsible sources.

### A new fiber sourcing target

SCA's target since 2005 has been to ensure that none of the wood fiber in the Group's products is sourced from controversial sources, defined as illegally logged timber, timber from high conservation value forests (HCVF) or timber from areas where human rights or the rights of indigenous people are violated. SCA currently has 100% control over the origin of its wood raw material, including pulp. However, this is not a static situation – it is an ongoing challenge as SCA grows in new markets.

In 2015, SCA will introduce a new target for controlling the use of fresh fiber in its products. The new target states that "all fresh wood fiber-based raw material in our products will be FSC® or PEFC™ certified, or fulfill the FSC's standard for controlled wood." The target includes all deliveries of fresh wood fiber (timber, pulp, packaging, mother reels and articles supplied by third parties) to SCA's production sites. SCA already has good control of its fiber sourcing, and with the new target, the company will advance to an even higher level.

### A global fiber database

SCA has a global fiber sourcing policy in place and a shared business system – the Global Fiber Database – for the assessment and purchase of fiber in compliance with SCA's forest management policies. The database includes all of the Group's pulp, recovered fiber and alternative fiber suppliers. It provides the purchasing function, environmental department, R&D department and production facilities with fast and easy access to important information about suppliers, region of supply, wood species, pulp specifications, bleaching methods and life cycle assessment data.

The information also includes the suppliers' product certification status: FSC® (Forest Stewardship Council), PEFC™ (Programme for the Endorsement of Forest Certification), Controlled Wood, ecolabels, ISO 9000, etc. As a result, SCA can ensure traceability, the R&D department can check the availability of a certain raw material and the mills can show customers exactly what has been purchased. The database is continually updated to support SCA's global operations.

### Supplier verification

SCA requires pulp suppliers to guarantee that they have robust systems and documented procedures in place to ensure traceability and compliance throughout the supply chain. In 2014, SCA had 33 pulp suppliers, of which the ten largest accounted for 72% of purchases. SCA is 26% self-sufficient with respect to pulp.

All pulp suppliers are Chain of Custody (CoC) certified according to the FSC and/or PEFC. SCA's fiber sourcing policy includes a step-by-step process to support suppliers in their transition to third-party certification.

### Supplier audit results in 2014

SCA audits its suppliers to verify their compliance with the fiber sourcing policy and supplier requirements. All suppliers were assessed to ensure continued compliance with their chain of custody certification. Also, all suppliers received questionnaires to update fiber and eco-label information. In addition, visits were made to seven sites in 2014. All suppliers showed continued compliance with SCA's sourcing policies and were retained for continued supply.

### Forest certifications and standards

All of SCA's wood-based industries are supplied with FSC-certified timber or timber that meets the FSC's controlled wood standard. This means that no timber used in SCA's operations comes from controversial sources. More than 60% of timber deliveries and 63% of pulp deliveries to SCA have FSC and/or PEFC certification. The remaining timber volumes meet the FSC's standards for controlled wood, while the remaining pulp volumes meet the FSC's standards for controlled wood or are inspected by SCA's own auditors.

SCA's target is to purchase all fiber from sustainably managed forests. SCA prioritizes the FSC certification system and encourages all suppliers to work toward certification. Accordingly, we recognize several systems for forestry management, including the PEFC, SFI (Sustainable Forestry Initiative) and CSA (Canadian Standards Association). Other certification systems may be considered on a case-by-case basis.

SCA continued to roll out FSC and PEFC chain of custody in manufacturing sites, adding three sites to the list of chain of custody sites. SCA's intention is to roll out the chain of custody to all remaining manufacturing sites.

### Recovered fiber

SCA uses 75% fresh fiber and 25% recovered fiber in its operations. For a further breakdown at the product level, see Distribution of raw materials on page 53. The proportion varies between regions due to differences in consumer preferences and fiber supply and demand. The North American operations use almost 100% recovered fiber, while the proportion of recovered fiber is 84% in Latin America and 23% in Europe.

The declining use of publication papers in North America and Europe has led to limited supplies of recovered fiber. SCA partners with trade organizations and recycled paper operators to expand and improve the collection of recycled paper and board, thereby increasing the availability of recovered fiber. SCA is part owner in several paper-recycling companies,

such as IL Recycling and Pressretur in Sweden, Bunzl & Biach in Austria, Paperinkerays in Finland and AFS in the US.

In 2014, SCA decided to harmonize all of its paper for recycling purchasing in Europe to the European List of Standard Grades of Recovered Paper and Board, and inspection procedures were introduced into SCA's mills. This improves SCA's understanding of the quality of the fibers being purchased and, consequently, enables the Group to accurately measure fiber retention in the mill based on the grades purchased.

SCA is aware of the risks related to human rights, child labor and health and safety connected to recovered fiber sourcing in potential high-risk regions. As a consequence, the company has initiated a review of all its recovered fiber sourcing. SCA does not source any recovered fiber from China and no fiber from post-consumer waste from Russia. Assessments are ongoing in India and Latin America. So far, some health & safety related deficiencies have been revealed.

[Read more about our Fiber sourcing and biodiversity targets on page 26.](#)

## Forest management

As Europe's largest private forest owner, SCA takes a long-term approach to its responsible forest management.

### Biodiversity

Around 2 million of SCA's 2.6 million hectares of forest land are managed for timber production. The remaining 600,000 hectares of less productive forest, bogs and other land are still valuable as a living environment for flora and fauna.

Areas that provide vital habitats for sensitive fauna and flora are exempted from forest management or are managed with the aim of enhancing the existing environmental values and biodiversity. Approximately 200 species in SCA's forests – over 100 species of insects, nearly 50 types of fungi and about 50 different kinds of mosses and lichens – are disadvantaged by forest management and require special consideration.

SCA has set aside nearly 7% of its managed forests to benefit biodiversity in its ecological landscape plans. SCA also takes extensive conservation measures in managing forest areas that do not contain any particular conservation value. During felling operations, individual trees, groups of trees and buffer zones are set aside to ensure that the conservation values inherent in older forests are preserved and become an integrated part of the new growing forest. In 2014, 14% of the 17,345 hectares planned for harvesting were saved.

### Seedlings

In 2014, SCA's forest-tree nursery produced 99 million seedlings, of which 38% were planted in SCA's own forest land. The remainder of the seedlings were sold to other forest owners.

### Biodiversity parks

In 2014, two biodiversity parks comprising more than 3,000 hectares of forests deemed to be rich in biodiversity and cultural heritage were inaugurated in Sweden: Tjäderberget and Sörgränninge. At least half of the woodland areas in the biodiversity parks must be earmarked for or managed in a manner that promotes nature conservation and cultural values. SCA is also using the knowledge it has gained in these parks in its other forest operations. In 2013, SCA inaugurated its first of five planned biodiversity parks in Peltovaara, Sweden, comprising 3,100 hectares of forest land.

### Forest management and certifications

In 2014, 52% of solid wood raw materials used by SCA were sourced from the Group's forests, and of the remainder, 34% came from Sweden, 9% from Central Europe and 5% from the Baltic States.

SCA's forests are managed in line with the Forest Stewardship Council's (FSC®) ambitious standard for responsible forest management. The 2014 FSC forest management audit was

very successful. The auditors found only one minor deviation from the standard.

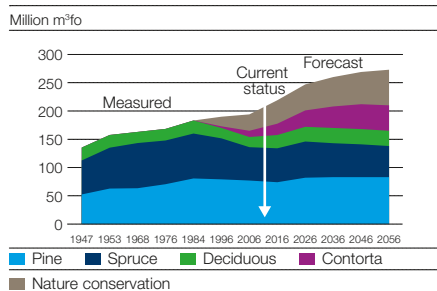
SCA's forests are also certified in line with the Programme for the Endorsement of Forest Certification (PEFC™) and the Group conducts controls based on both of these standards. SCA's forest management has been ISO 14001 certified since 1998.

### Forest inventory 2014

Every eight to ten years, SCA conducts an inventory and review of its forests. These reviews are used for planning future forest management and harvesting volumes. The inventory carried out in 2014 revealed that since 1949, the volume of standing timber in SCA's forests has increased by 50%, while its sustainable harvesting levels have more than doubled. The new harvesting estimate shows that SCA may remain at current harvesting levels for 15 to 20 years, followed by a gradual increase until the end of this century, rising by about one million cubic meters per year above the current level.

In conjunction with the growth of SCA's forests, the volume earmarked for biodiversity is also increasing. About 15% of SCA's managed forest land is set aside from forestry or managed using methods designed to strengthen nature values. In 30 years, approximately 20% of the volume of living trees growing in SCA's forests are to be exempt from forestry and instead be used as a resource for preserving biodiversity.

### Standing volume trend



### Salvaging timber

Two severe storms at the end of 2013 felled about 10 million cubic meters of timber in Northern Sweden, corresponding to the normal felling volume during one year in the affected regions. During 2014, SCA focused on salvaging the storm-felled timber and on the removal of felled trees to avoid further damage caused by insects. SCA moved all of its own felling resources to the affected area, and prioritized helping private forest owners that had been struck by the storms. By year-end, 4.5 million cubic meters of wood had been processed. The remaining 1.1 million cubic meters will be processed in 2015.

[Read more about our Fiber sourcing and biodiversity targets on page 26.](#)

## Water

SCA is well on the way to achieving both of its water targets.

### Approach to water usage

The issue of water is being dealt with systematically – SCA monitors the volume and origin of the water it uses, as well as the quality of its effluent water. About 60% of the Group's water was used to transport fibers during production processes and the remainder was mainly used as cooling water. 90% of the water used is drawn from surface sources.

SCA's reporting encompasses all production sites and, in 2014, the Group used 206 million cubic meters of water (210) in pulp and paper production.

### Water-stressed regions

In some water-stressed regions, the availability of water is so limited that the use of groundwater is increasing. When access to drinking-quality water is jeopardized, it can cause major problems for entire communities, and SCA can bring about significant environmental improvements by reducing water usage in such regions. One of the Group's water targets is therefore focused on reducing water usage in water-stressed regions.

Most SCA mills, accounting for 96% of the Group's water usage, are located in areas of water abundance. Using a method developed by the World Resources Institute, nine SCA units whose operations are affected by the target were identified. These are located in Italy, Spain, Mexico, Colombia, and the US south-west. Since 2010, the specific water consumption at these ten units has fallen by 13.7%. SCA achieved its goal already in 2013, with a 10.4% reduction.

There is, however, good reason to also reduce water consumption in facilities located in regions of water abundance. Reducing the volume of water to be pumped around saves energy and thus lowers costs and the environmental impact.

### Effluent water treatment

SCA works continuously to enhance its effluent treatment and thus the quality of the effluent water discharged from its plants. Mechanical treatment removes suspended solids, sand and particles, while biological treatment extracts dissolved solids and organic impurities that affect biological oxygen demand (BOD) and chemical oxygen demand (COD).

SCA's second water target focuses on employing mechanical and biological water treatment in all plants by 2015, a target well on its way to being achieved. In 2013, a secondary wastewater treatment phase was added to SCA's paper mill in Lasso, Ecuador, in order to achieve high effluent standards. It included a 500-cubic-meter buffer tank, two biological reactors measuring 400 cubic meters each and a secondary DAF (Dissolved Air Flotation), and

has a treatment capacity of 90 cubic meters per hour. The chosen technology was the Mobile Bed Biofilm Reactor system, which uses freely moving biofilm carriers where microbes cultivated for purification grow in the form of a film attached to the surface. A specially designed bottom aeration system efficiently mixes the carrier elements with the treated water. After the secondary DAF, part of the sludge is recycled back to the reactors and further dewatered. The reactor volume needed for a MBBR system is considerably smaller (10–40%) compared with conventional activated sludge plants. This new system allowed the Lasso mill to reduce its effluent BOD, COD and TSS concentrations by more than 90% during 2014.

The only remaining site to achieve the water target, Kunheim in France, is already in the process of installing a biological wastewater treatment plant, which will be completed in 2015.

[Read more about our Water targets on page 28.](#)

## Waste management

Minimizing, reusing and converting are key when it comes to managing SCA's waste and by-products from production. SCA initiates partnerships and evaluates solutions to minimize waste – from raw materials to the end-consumer.

### Production waste

In SCA's production processes, waste is generated in the form of ash, sludge, organic waste and/or plastic. A significant part of the production waste (1.3 millions tons or 68%) is used as raw materials in other industries, such as the construction industry, or as an energy source.

Together with an external partner in the Netherlands, SCA is testing the possibilities of using pyrolysis technology to extract energy from sludge. Read more on page 23.

Efforts to minimize production waste are also driven by rising landfill costs and environmental impact. Between 2013 and 2014, the amount of waste sent to landfill declined by 21% for SCA's personal care plants.

### Product development

SCA uses life cycle assessments (LCAs) to minimize waste, all the way from the product design stage to manufacturing and end-use. Reducing the environmental impact of products throughout the product cycle, including the post-user phase, is a component of SCA's innovation process. Minimizing waste is a priority when it comes to developing new products. For example, Libero's open diapers require 46% less material and have a reduced carbon footprint of 52% compared with the corresponding diaper produced in 1987.

Another efficient way to reduce waste is to include the user perspective. SCA develops dispensers that reduce consumption during use, leading to less waste (see page 12), and ensures that its products are adapted to different waste systems. SCA has several products in the US market that are certified as compostable, such as Tork Advance and Tork Universal.

TENA solutions is another example where taking a customer-centric approach to identifying the right products has resulted in 31% less waste being generated by nursing homes (see page 37).

### Post-consumer waste

SCA realizes the need for solutions to address post-consumer waste. SCA's tissue and forest products consist of wood fibers that, in addition to being renewable, can also be recycled. Recycling of materials from personal care products, such as baby diapers, is currently limited by the available technology and hygiene requirements. Energy recovery through incineration of hygiene products is a good alternative to landfill, since 25–80% of the material in personal care products and up to 100% in tissue products is renewable.

SCA is involved in several post-consumer waste initiatives. Biodegradable waste from SCA's office in Neenah, in the US, is converted into compost and electricity in a dry anaerobic biodigester at the University of Wisconsin Oshkosh. The total operation provides about 10% of the energy used at the campus. It also allows SCA to compost a wider variety of materials, including food waste and all paper.

A collaboration with Casella Waste Systems and Foley Distributing in the US is allowing SCA to be part of a process encouraging further recycling directly into new goods. Casella collects recyclable material on college campuses in the northeastern US states and, in return, provides colleges with data to calculate their own carbon footprints. Since mid-2012, the recycled material is delivered to SCA's paper mill in South Glens Falls, N.Y. as a source of recycled fiber, and is further fashioned into new, 100% recycled-content hand towels and tissue. Foley, a distribution company, then delivers new products back to the colleges.

## Environmental complaints

A few of SCA's production facilities are located in residential areas where it is important to engage in active dialog with the surrounding community. For example, this dialog may be conducted in the form of large meetings or by providing information on how complaints can be made. All environmental complaints are investigated and measures are taken where necessary. In 2014, 125 cases were reported to the plants. All were addressed and only a few cases remained open at year-end. Complaints usually relate to noise or vibrations. In a small number of cases, reports were received regarding exceedance of effluent limit values or the incorrect sending of waste to landfill. Local authorities are always involved in such instances.



# CONTROL AND ASSURANCE

## Sustainability governance

The main purpose of all governance at SCA is to guarantee the Group's commitments to its stakeholders: shareholders, customers, employees, suppliers, lenders and communities.

### Sustainability governance

SCA's Corporate Senior Management Team bears the overall responsibility for the control of SCA's business in the sustainability field.

SCA has a Group Function in charge of sustainability, led by the Senior Vice President Sustainability, who reports to the CEO and is a member of the Corporate Senior Management Team. Apart from sustainability aspects, the function is also responsible for SCA's public affairs. In close collaboration with the business

unit presidents, the approved strategy and objectives are broken down into specific targets and activities to ensure compliance with the Group's objectives and business plans.

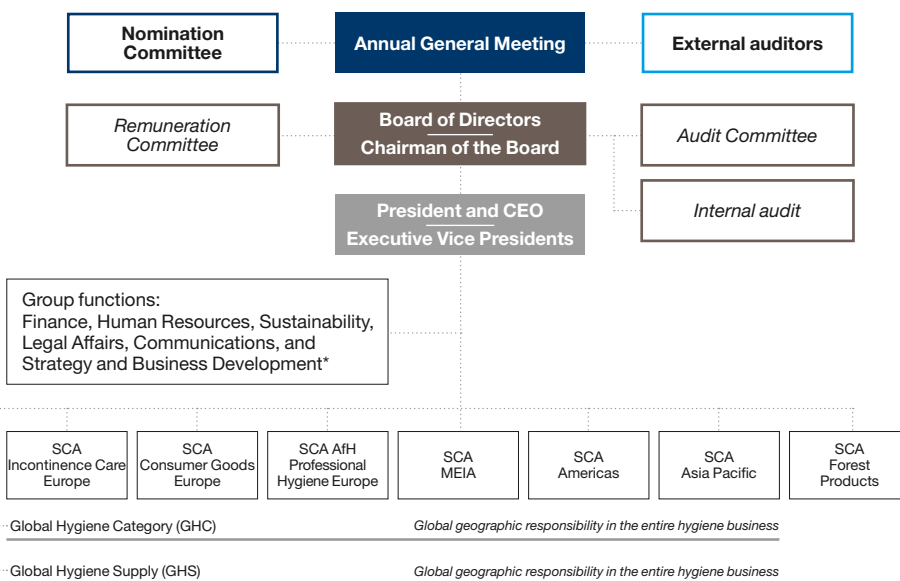
The Environmental Committee and the Social Responsibility Committee draft proposals for policies and principles for governing the sustainability work, as well as objectives and action programs at Group level. They also coordinate and follow up the Group's initiatives and objectives in the environmental and social area. The

committees include members of all business units and representatives of the Sustainability, Human Resources, Communications and Legal Group Functions.

The Code of Conduct Council consists of SCA's SVP HR, SVP Sustainability, General Counsel, EVP Hygiene operations and President Forest Products. The Code of Conduct Council oversees the implementation and alignment of SCA's Code of Conduct.

Responsibility for implementation rests with the operational organization. A number of networks work horizontally across SCA's different business units to guarantee a consistent approach.

### Corporate Governance at SCA



\* Strategy and Business Development is also responsible for the Group's Global Business Services (GBS) and IT Services. GBS' global area of responsibility is providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and service to all units within SCA.

**SCA Group networks**

**Water management network:** Establishes the Group’s aspiration level for reductions in emissions and water usage. The network also analyzes the impact of the EU’s Water Framework Directive on SCA’s operations.

**FSC network:** Disseminates information on sustainable forest management throughout the organization, and coordinates the Group’s position and activities in relation to the FSC.

**RMS network:** Compiles information and makes calculations and presentations relating to resource use and environmental data.

**ESAVE network:** Coordinates the Group’s projects aimed at reducing SCA’s energy consumption and environmental impact.

**Energy network:** Identifies cost-efficient solutions and synergies in connection with energy sourcing. The network also handles emissions trading.

**Public Affairs network:** Leads and coordinates the work aimed at influencing legislation and stakeholders in prioritized areas with potential impact on SCA’s operations.

**Health and Safety network:** Proposes goals and activities, follows up initiatives and highlights health and safety best practices.

**GRI network:** Ensures that SCA’s sustainability reporting is in line with the Global Reporting Initiative’s guidelines.

**External monitoring**

In addition to internal audits, SCA’s operations are subject to external reviews and monitoring by, among others, the Swedish Financial Supervisory Authority and Nasdaq Stockholm. Life cycle assessments are another example of third-party assessments.

SCA’s own control systems include segregation of duties in critical processes and defined management responsibilities with regard to internal control. There is also a separate internal audit function at SCA that works to evaluate and improve the effectiveness of SCA’s governance processes, risk management and internal control. SCA’s Internal Audit organization contributes to the maintenance of high standards of business practice and is involved in the monitoring of Code of Conduct compliance through such activities as Business Practice Reviews. To support its work, the Internal Audit unit has a number of steering documents and policies.

**Risk and risk management**

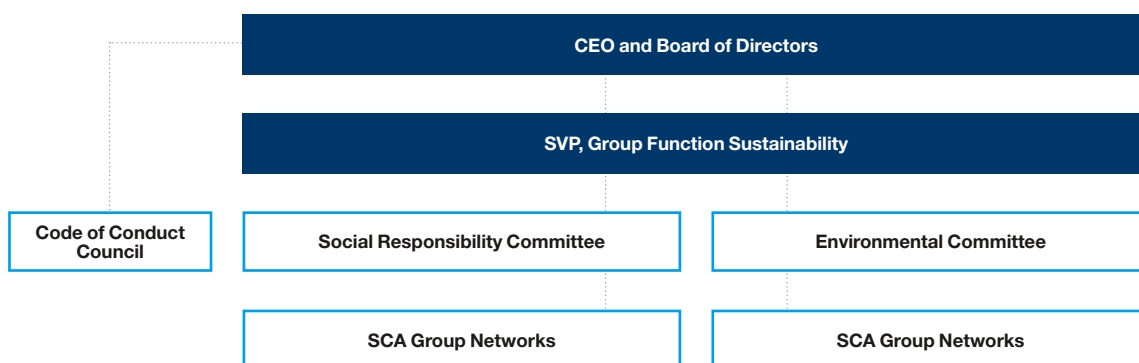
SCA is exposed to various risks with a greater or lesser potential impact on the Group. The responsibility for long-term and overall management of material risks follows the company’s delegation scheme, from the Board to the President, and from the President to the business unit presidents.

A description of the most significant risks that impact SCA’s ability to achieve its established targets is presented on pages 78–83 of the 2014 Annual Report, together with an account of how these risks are managed.

**Corporate Governance Report**

The complete Corporate Governance Report is available on SCA’s website [www.sca.com](http://www.sca.com) and in the 2014 Annual Report.

**SCA’s sustainability governance**



# The Resource Management System, RMS

SCA operates an extensive system for gathering and presenting data for individual production facilities and entire business units. The Resource Management System (RMS) allows SCA to analyze data, describing how the company uses energy, water, transport and raw materials, and to monitor waste and emissions 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 three new personal care plants. Two tissue mills and two personal care mills were excluded from the RMS data due to SCA's reduced ownership in its Australasian joint venture.

## Resources

This section describes SCA's use of raw materials, water, energy and transport in 2014.

### Raw materials

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

Renewable raw materials (fresh fiber and recycled fiber) 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 high customer quality requirements. Synthetic materials are used in highly absorbent hygiene

products to improve quality and function. The diagram to the right shows the raw material distribution of SCA's products.

### Water

SCA's water supply is presented in the chart "Raw materials, energy and emissions". The figures stated are totals for surface water, groundwater and municipal water systems. SCA's total water intake amounted to 206 Mm<sup>3</sup>.

### 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 energy data figures stated 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 2014, SCA delivered 33 GWh

of electricity to the national grid.

SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden, which is an effective way of saving energy. In 2014, SCA delivered heat to district heating systems equivalent to 46,046 cubic meters of fuel oil.

### Transport

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 transportation needs. SCA's use of transportation is equivalent to 30.5 billion ton-kilometers. Sea freight accounts for the greatest portion of SCA's transport and the remainder consists of road and rail. Transportation of SCA's raw materials and products uses the equivalent of 11,738 TJ of fuel and electricity.

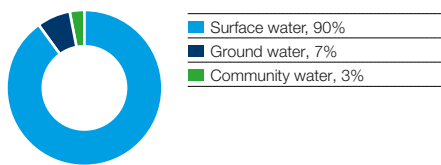
### Emissions

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 tons and cubic meters, are shown in the tables that present Group emissions in 2012, 2013 and 2014.

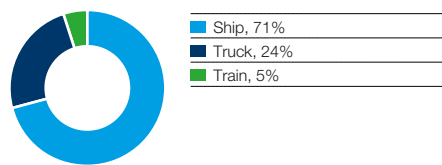
### Emissions to air

Air emissions comprise emissions from all combustion units at SCA's production sites, including fossil fuel and biofuel emissions and emis-

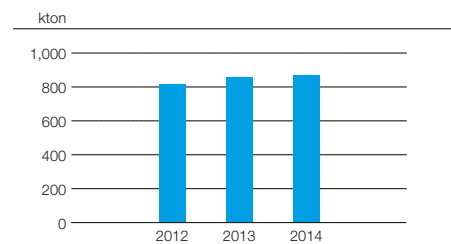
Distribution of water supply



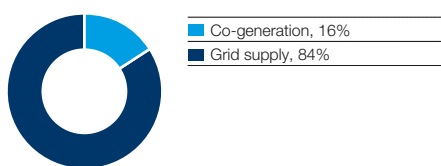
Distribution of transport usage



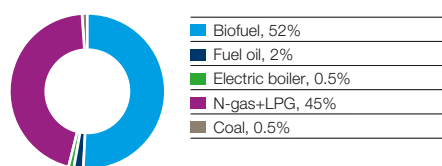
Emissions from transport, CO<sub>2</sub>



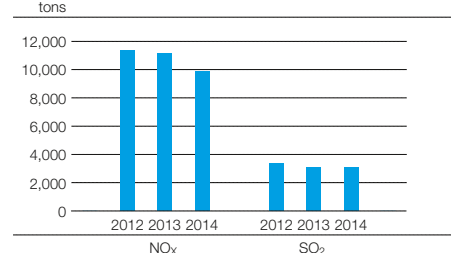
Distribution of electricity supply



Distribution of fuel supply



Emissions from transport, NO<sub>x</sub> and SO<sub>2</sub>





sions 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 energy amount delivered and the reduction is distributed among SCA's main products.

Three chemical compounds are measured and reported in relation to air emissions: NO<sub>x</sub>, SO<sub>2</sub> and fossil CO<sub>2</sub>.

The stated CO<sub>2</sub> 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. SCA uses Group-wide established procedures and principles for calculating RMS data so as to create comparability.

CO<sub>2</sub> emissions from SCA's use of fossil fuels corresponded to 1,581 ktons and purchased electricity to 1,461 ktons during the year.

SCA's emissions to air were reduced in 2014. Significant reductions in CO<sub>2</sub> and SO<sub>2</sub> emissions were recorded at several production facilities. In particular, an investment in wood-pellet fuel (BioCoop) in Ortviken, Sweden, and energy savings and fuel changes in Medellin, Colombia, resulted in a significant reduction in emissions to air.

*Air emissions from transport*

A large portion of SCA's air emissions is generated by transport, rather than the company's production activities. Transport emissions are

not included in the tables "Raw materials, energy, and emissions" on page 54, but are presented in the diagrams on page 52.

The reduction in NO<sub>x</sub> emissions was attributable to the expanded use of trucks with a higher EU classification and more modern engines.

*Emissions to water*

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 115 Mm<sup>3</sup>. This water is treated using methods similar to those employed at municipal wastewater treatment facilities. The figures for 2014 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.

SCA's emissions to water declined during the year. The introduction of a new biological treatment facility in Lasso, Ecuador, resulted in a major reduction in biological oxygen demand (BOD).

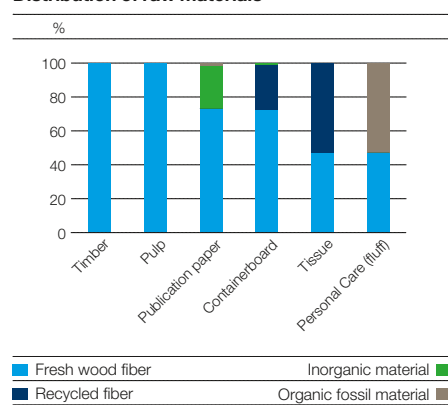
**Solid waste**

The solid waste reported by SCA is waste that is sent to landfill, recycled waste and hazardous waste. Recycled waste refers to materials that

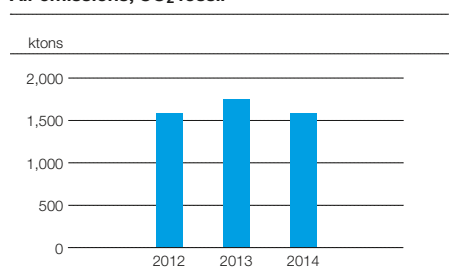
can be used as raw materials in other industries, such as the cement, brick-making and construction industries. The main types of recycled waste are ash, sludge, organic waste and plastics. Hazardous waste is primarily waste oil as well as organic solvents, batteries and strip lights.

The decline in recycled production waste was attributable to an increase in the volumes of waste sent to landfills from the mills in Menasha and Barton in the US.

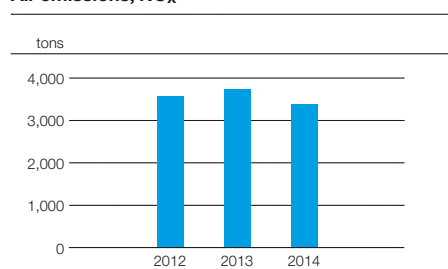
**Distribution of raw materials**



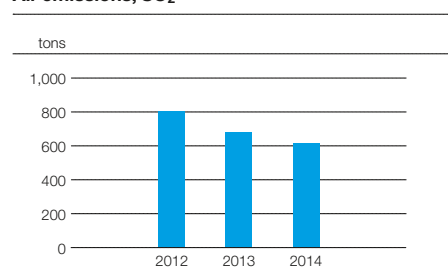
**Air emissions, CO<sub>2</sub> fossil**



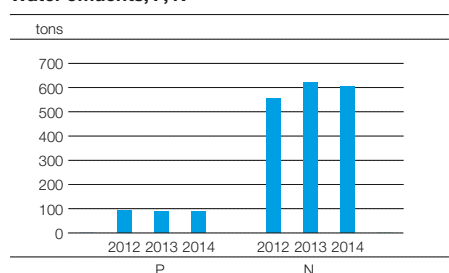
**Air emissions, NO<sub>x</sub>**



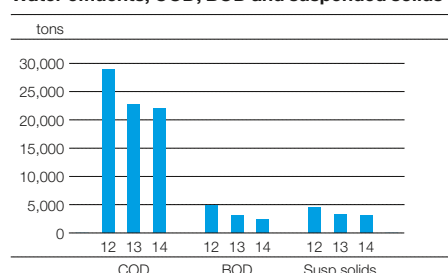
**Air emissions, SO<sub>2</sub>**



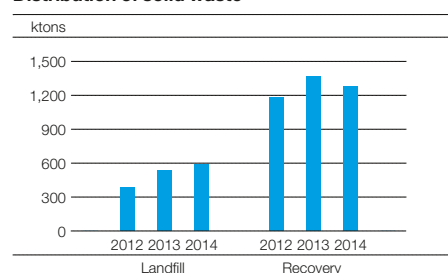
**Water effluents, P, N**



**Water effluents, COD, BOD and suspended solids**



**Distribution of solid waste**



# Environmental data

## Raw materials, energy and discharges

		Forest Products		Tissue Products		Personal Care		SCA Group total	
		2014	2013	2014	2013	2014	2013	2014	2013
<b>Production</b>									
Paper and pulp	ktons	2,351	2,276	3,033	3,190			5,384	5,466
Personal Care products	ktons					708	668	708	668
Timber and solid-wood products	1,000m <sup>3</sup>	2,187	2,194					2,187	2,194
<b>1. Raw materials</b>									
Wood/sawmill chips*	kton	4,710	4,470	439	585	0	0	5,150	5,055
Purchased pulp*	kton	72	67	1,316	1,486	364	383	1,752	1,935
Purchased paper	kton	0	0	123	78	0.2	0.2	123	78
Recovered paper	kton	328	318	1,982	2,087	4	4	2,314	2,410
Inorganic material	kton	214	211	0	0	0	0	214	211
Organic fossil material	kton	13	13	3	4	404	340	420	357
Water	Mm <sup>3</sup>	110	111	95	99	0.6	0.6	206	210
<b>2. Energy</b>									
<b>Electricity</b>									
Co-generation	GWhe	819	794	505	521		0	1,324	1,315
Grid supply	GWhe	2,485	2,493	3,733	3,990	497	481	6,716	6,963
<b>Total</b>	<b>GWhe</b>	<b>3,304</b>	<b>3,287</b>	<b>4,238</b>	<b>4,511</b>	<b>497</b>	<b>481</b>	<b>8,039</b>	<b>8,279</b>
<b>Fuels</b>									
Biofuel	TJfuel	25,971	26,151	4,442	4,057		0	30,414	30,208
Fossil fuel	TJfuel	1,287	1,478	25,902	28,835	305	329	27,494	30,641
Electric boiler/hood	TJfuel	122	191	55	79		0	177	270
<b>Total</b>	<b>TJfuel</b>	<b>27,380</b>	<b>27,819</b>	<b>30,400</b>	<b>32,971</b>	<b>305</b>	<b>329</b>	<b>58,085</b>	<b>61,119</b>
of which co-gen.	TJfuel	3,466	3,366	2,843	3,046		0	6,310	6,412
<b>3. Discharges</b>									
<b>To air</b>									
NO <sub>x</sub> as NO <sub>2</sub>	tons	1,592	1,636	1,772	2,070	24	27	3,388	3,734
SO <sub>2</sub>	tons	352	377	262	305	0.07	0.13	615	683
Dust	tons	219	255	140	146	0	0	358	401
CO <sub>2</sub> fossil	ktons	99	114	1,465	1,616	17	19	1,581	1,749
CO <sub>2</sub> fossil, grid electricity	ktons	31	31	1,284	1,456	146	147	1,461	1,634
CO <sub>2</sub> biogenic	ktons	2,664	2,659	490	510	0	0	3,154	3,169
<b>To water</b>									
COD	tons	13,614	14,091	8,423	8,641	33	43	22,070	22,776
BOD	tons	1,293	1,514	1,158	1,492	1	2	2,452	3,009
Suspended solids	tons	1,891	1,911	1,231	1,447	1	3	3,123	3,360
AOX	tons	11	11	5	5	0	0	16	16
P	tons	47	50	41	38	0	0	88	88
N	tons	341	342	263	278	1	2	605	623
Effluent water	Mm <sup>3</sup>	45	45	69	73	0	0	115	118
<b>Solid waste</b>									
Landfill	tons	8,846	12,614	574,218	519,993	2,944	3,717	586,008	536,325
Recovery	tons	143,335	138,382	1,078,083	1,168,822	53,905	61,398	1,275,324	1,368,601
Hazardous	tons	1,217	2,813	1,900	2,032	166	185	3,284	5,030
<b>Certified volumes, SCA's main sites</b>									
ISO 9001	%	91	91	77	76	84	79		
ISO 14001	%	83	82	85	78	91	91		

\* Partly internal deliveries.

## Facts about the plants – Personal Care

		Buenos Aires, Argentina	Lasso, Ecuador	San Cristobal, Dominican Republic	Sao Paulo, Brazil	Bowling Green, US	Caloto, Colombia	Drummondville, Canada	Ecatepec, Mexico	Falkenberg, Sweden	Gemerská Hôrka, Slovakia	Gennep, Netherlands	Guadalajara, Mexico	Hondouville, France	Hoogeveen, Netherlands	Mölnlycke, Sweden	Olawa, Poland	Rio Negro, Colombia	Kuala Lumpur, Malaysia	Istanbul 1, Turkey	Venkov, Russia	Istanbul 2, Turkey	Kao Hsiung, Taiwan	Total
<b>2014 Information</b>	<b>Unit</b>																							
<b>Production</b>	kton	8	6	1	36	23	38	31	23	74	31	84	9	4	88	4	81	22	67	7	16	27	28	708
Timber and solid-wood products	m <sup>3</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Energy</b>																								
<b>Electricity</b>																								
Co-generation	GWh	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grid supply	GWh	10	2	1	9	26	32	25	27	45	32	39	7	16	80	5	52	17	44	2	14	12	0	497
<b>Total</b>	<b>GWh</b>	<b>10</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>26</b>	<b>32</b>	<b>25</b>	<b>27</b>	<b>45</b>	<b>32</b>	<b>39</b>	<b>7</b>	<b>16</b>	<b>80</b>	<b>5</b>	<b>52</b>	<b>17</b>	<b>44</b>	<b>2</b>	<b>14</b>	<b>12</b>	<b>0</b>	<b>497</b>
<b>Fuels</b>																								
Biofuel	TJ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fossil fuel	TJ	0	0	0	0	17	1	7	0	0	23	26	0	99	66	13	8	1	1	0	34	9	2	305
Electric boiler and hood	TJ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>TJ</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>26</b>	<b>0</b>	<b>99</b>	<b>66</b>	<b>13</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>34</b>	<b>9</b>	<b>2</b>	<b>305</b>
of which co-gen.	TJ	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Discharges</b>																								
<b>To Air</b>																								
NOS as NO <sub>2</sub>	tons	0	0	0	0	2	0.1	1	0	0	2	3	0	3	7	1	0.8	0.1	0.1	0	3	0.9	0.2	24
SO <sub>x</sub>	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dust	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CO <sub>2</sub> fossil	kton	0	0	0	0	1	0	0	0	0	1	1	0	6	4	1	0	0	0	0	2	0	0	17
CO <sub>2</sub> electricity	kton	4	1	0.5	1	13	4	4	12	1	6	17	3	1	35	0.1	0	2	30	1	6	5	0	146
CO <sub>2</sub> bio	kton	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>To water</b>																								
COD	tons	0	0	0	0	0	0	0	0	0	0	0	0	33	0	0	0	0	0	0	0	0	0	33
BOD	tons	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Suspended solids	tons	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
AOX	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N	tons	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Effluent water	Mm <sup>3</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
<b>Solid waste</b>																								
Landfill	tons	250	296	25	0	0	146	5	1,329	0	187	0	215	13	0	0	272	158	1	0	0	0	47	2,944
Recovery	tons	1	107	39	0	3,127	2,092	3,070	2,249	5,567	7,899	2,478	1,159	1,756	6,092	163	7,297	3,019	2,041	465	1,500	2,047	1,739	53,905
Hazardous	tons	2	0	0	0	3	6	1	1	2	0	0	0	107	0	0	0	2	0	0	0	41	0	166

## Facts about the plants – Tissue

		Barton, US	Flagstaff, US	Menasha, US	South Glens Falls, US	Cajica, Colombia	Medellin, Colombia	Lasso, Ecuador	Santiago, Chile	Monterrey, Mexico	Uruapan, Mexico	Sahagún, Mexico	Allo, Spain	Altopascio, Italy	Chesterfield, UK
<b>2014 Information</b>	<b>Unit</b>														
<b>Production</b>	kton	<b>167</b>	<b>51</b>	<b>198</b>	<b>57</b>	<b>60</b>	<b>37</b>	<b>26</b>	<b>47</b>	<b>55</b>	<b>37</b>	<b>56</b>	<b>124</b>	<b>26</b>	<b>26</b>
Timber and solid-wood products	m <sup>3</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Energy</b>															
<b>Electricity</b>															
Co-generation	GWh	0	0	0	0	0	0	0	0	0	27	0	0	32	0
Grid supply	GWh	270	63	325	96	99	50	37	77	74	25	83	148	3	35
<b>Total</b>	<b>GWh</b>	<b>270</b>	<b>63</b>	<b>325</b>	<b>96</b>	<b>99</b>	<b>50</b>	<b>37</b>	<b>77</b>	<b>74</b>	<b>53</b>	<b>83</b>	<b>148</b>	<b>35</b>	<b>35</b>
<b>Fuels</b>															
Biofuel	TJ	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fossil fuel	TJ	1,348	435	1,712	501	469	265	211	483	425	505	492	746	395	260
Electric boiler and hood	TJ	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>TJ</b>	<b>1,348</b>	<b>435</b>	<b>1,712</b>	<b>501</b>	<b>469</b>	<b>265</b>	<b>211</b>	<b>483</b>	<b>425</b>	<b>505</b>	<b>492</b>	<b>746</b>	<b>395</b>	<b>260</b>
of which co-gen.	TJ	0	0	0	0	0	0	0	0	0	324	0	0	303	0
<b>Discharges</b>															
<b>To Air</b>															
NO <sub>x</sub> as NO <sub>2</sub>	tons	39	9	68	12	18	0	9	48	2	64	21	75	40	6
SO <sub>x</sub>	tons	0.3	0.1	0.5	0.1	1	0	18	0	0	0	0.1	0	0	3
Dust	tons	4	1	38	0	0	0	7	0	0	0	2	0	0.2	0
CO <sub>2</sub> fossil	kton	75	24	96	28	26	15	16	36	24	28	28	42	22	15
CO <sub>2</sub> electricity	kton	130	30	156	46	12	6	11	37	34	11	38	45	1	17
CO <sub>2</sub> bio	kton	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>To water</b>															
COD	tons	675	342	0	0	188	717	133	76	E/T	144	170	80	E/T	E/T
BOD	tons	78	28	68	138	115	184	38	19	E/T	12	28	12	E/T	E/T
Suspended solids	tons	136	90	70	75	151	145	30	23	E/T	24	16	23	E/T	E/T
AOX	tons	0	0	0	0	0	0	0	0	E/T	0	0	0.4	E/T	E/T
P	tons	11	1	4	0	6	0	0	0	E/T	0.3	0.8	0.2	E/T	E/T
N	tons	55	2	47	0	6	0	0	0	E/T	3	3	3	E/T	E/T
Effluent water	Mm <sup>3</sup>	8.5	0	8.1	2.4	0.6	0.6	0.7	2.5	0.7	0.9	1.2	1.5	0.2	0.4
<b>Solid waste</b>															
Landfill	tons	190,568	36,892	209,102	21,408	3,134	1,711	12,992	0	1,633	2,952	122	4,433	71	160
Recovery	tons	547	49	20	48,766	46,375	18,086	1,059	0	33,545	15,351	59,409	2,708	506	41,188
Hazardous	tons	21	4	11	1	39	26	72	0	15	60	96	185	46	0



	Collodi, Italy	Cuijk, Netherlands	Gien, France	Hondouville, France	Kosheim, Germany	Kunheim, France	Le Theil, France	Lilla Eclat, Sweden	Lucca, Italy	Manchester, UK	Mannheim, Germany	Mediona, Spain	Neuss, Germany	Nokia, Finland
	<b>38</b>	<b>52</b>	<b>130</b>	<b>65</b>	<b>125</b>	<b>48</b>	<b>60</b>	<b>94</b>	<b>121</b>	<b>46</b>	<b>312</b>	<b>27</b>	<b>110</b>	<b>68</b>
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	31	0	0	4	69	0	263	0	0	0
	34	64	238	116	146	69	58	130	43	89	272	27	139	99
	<b>34</b>	<b>64</b>	<b>238</b>	<b>116</b>	<b>177</b>	<b>69</b>	<b>58</b>	<b>134</b>	<b>112</b>	<b>89</b>	<b>535</b>	<b>27</b>	<b>139</b>	<b>99</b>
	0	7	0	0	0	0	0	475	0	0	3,941	0	0	0
	260	325	1,237	484	1,367	398	344	160	1,328	544	3,616	232	644	502
	0	0	0	0	0	0	0	55	0	0	0	0	0	0
	<b>260</b>	<b>332</b>	<b>1,237</b>	<b>484</b>	<b>1,367</b>	<b>398</b>	<b>344</b>	<b>691</b>	<b>1,328</b>	<b>544</b>	<b>7,557</b>	<b>232</b>	<b>644</b>	<b>502</b>
	0	0	0	0	0	0	0	17	834	0	948	0	0	0
	13	3	23	15	53	21	19	50	125	20	562	23	25	35
	0	0	1	0.3	0.3	0.2	0.2	2	0	0	228	0	0.9	0
	0	0	1	0.4	0	0	0	1	0	0	55	0	0.1	0
	15	18	69	27	77	22	19	9	74	30	204	13	36	28
	13	28	16	8	69	5	4	2	17	43	129	8	66	13
	0	0.5	0	0	0	0	0	63	0	0	425	0	0	0
	E/T	25	75	146	147	113	30	283	E/T	E/T	4,199	0	92	172
	E/T	2	9	4	6	42	6	40	E/T	E/T	229	0	5	12
	E/T	18	10	9	2	31	2	49	E/T	E/T	232	0	5	17
	E/T	0	0.6	0.4	0.3	0.5	0.2	0.2	E/T	E/T	0.5	0	0.2	0.6
	E/T	0	0.2	1	1	0.2	0	0.6	E/T	E/T	10	0	0.2	0.6
	E/T	2	10	6	5	2	0.9	16	E/T	E/T	64	0	5	5
	0.2	0.7	1.8	1.7	1.2	0.9	0.4	2.9	0.3	0.7	15.0	0	0.8	2.6
	656	20	411	4,027	0	0	0	19	16	5	259	119	0	4,437
	507	43,537	9,594	112,299	77,977	1,427	3,233	20,419	1,748	5,694	101,691	2,523	4,077	67,629
	39	34	93	82	110	15	25	17	63	19	145	22	37	3

Cont. >>>

## Facts about the plants – Tissue, cont.

		Oakenholt, UK	Orléans, France	Ortmann, Austria	Pludhoe, UK	Sovetsk, Russia	Stenbert, Belgium	Stubbins, UK	Suameer, Netherlands	Svetlogorsk, Russia	Valls, Spain	Witzenhausen, Germany	Total
<b>2014 Information</b>	<b>Unit</b>												<b>Tissue 39 mills</b>
<b>Production</b>	<b>kton</b>	<b>67</b>	<b>15</b>	<b>131</b>	<b>123</b>	<b>42</b>	<b>68</b>	<b>73</b>	<b>7</b>	<b>55</b>	<b>158</b>	<b>31</b>	<b>3,033</b>
Timber and solid-wood products	m <sup>3</sup>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Energy</b>													
<b>Electricity</b>													
Co-generation	GWh	0	0	78	0	0	0	0	0	0	0	0	505
Grid supply	GWh	53	50	66	138	85	75	100	10	61	160	27	3,733
<b>Total</b>	<b>GWh</b>	<b>53</b>	<b>50</b>	<b>144</b>	<b>138</b>	<b>85</b>	<b>75</b>	<b>100</b>	<b>10</b>	<b>61</b>	<b>160</b>	<b>27</b>	<b>4,238</b>
<b>Fuels</b>													
Biofuel	TJ	0	0	20	0	0	0	0	0	0	0	0	4,442
Fossil fuel	TJ	430	250	1,297	1,002	562	472	684	41	368	963	147	25,902
Electric boiler and hood	TJ	0	0	0	0	0	0	0	0	0	0	0	55
<b>Total</b>	<b>TJ</b>	<b>430</b>	<b>250</b>	<b>1,317</b>	<b>1,002</b>	<b>562</b>	<b>472</b>	<b>684</b>	<b>41</b>	<b>368</b>	<b>963</b>	<b>147</b>	<b>30,400</b>
of which co-gen.	TJ	0	0	416	0	0	0	0	0	0	0	0	2,843
<b>Discharges</b>													
<b>To Air</b>													
NO <sub>x</sub> as NO <sub>2</sub>	tons	43	25	35	48	33	34	41	0.6	12	96	7	1,772
SO <sub>x</sub>	tons	0	0	0	4	0.2	1	0	0	0	0	0	262
Dust	tons	0	0	0	7	15	0.8	0	0	6	0	0	140
CO <sub>2</sub> fossil	kton	24	14	73	56	31	26	38	2	20	54	8	1,465
CO <sub>2</sub> electricity	kton	25	3	0	66	37	16	48	4	26	49	13	1,284
CO <sub>2</sub> bio	kton	0	0	1	0	0	0	0	0	0	0	0	490
<b>To water</b>													
COD	tons	48	E/T	286	118	57	78	E/T	E/T	E/T	30	E/T	8,423
BOD	tons	7	E/T	16	8	8	37	E/T	E/T	E/T	7	E/T	1,158
Suspended solids	tons	9	E/T	24	18	17	1	E/T	E/T	E/T	2	E/T	1,231
AOX	tons	0	E/T	0.2	0.2	0	0.2	E/T	E/T	E/T	0.1	E/T	5
P	tons	0.6	E/T	1	0.6	1	0.1	E/T	E/T	E/T	0	E/T	41
N	tons	7	E/T	10	3	8	2	E/T	E/T	E/T	0	E/T	263
Effluent water	Mm <sup>3</sup>	0.5	0.5	3.5	2.2	0.8	0.8	1.4	0.2	1.3	0.4	0	69
<b>Solid waste</b>													
Landfill	tons	96	88	0	7,198	4,158	0	5,737	0	61,506	260	28	574,218
Recovery	tons	1,125	619	113,376	76,973	44,144	3,366	107,152	2,424	395	8,092	455	1,078,083
Hazardous	tons	15	12	23	58	6	46	298	2	6	60	94	1,900

## Facts about the plants – Forest Products

						Total		
		Ortviken, Sweden	Östrand, Sweden	Munksund, Sweden	Obbola, Sweden	Pulp and paper 4 mills	Forest business 7 mills	Forest Products
<b>Production</b>	kton	<b>861</b>	<b>510</b>	<b>369</b>	<b>435</b>	<b>2,175</b>	<b>176</b>	<b>2,351</b>
	1,000 m <sup>3</sup>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,187</b>	<b>2,187</b>
<b>Energy</b>								
<b>Electricity</b>								
Co-generation	GWh	63	449	180	127	819	0	819
Grid supply	GWh	1,923	47	152	194	2,315	170	2,485
<b>Total</b>	GWh	<b>1,986</b>	<b>496</b>	<b>332</b>	<b>320</b>	<b>3,134</b>	<b>170</b>	<b>3,304</b>
<b>Fuels</b>								
Biofuel	TJ	2,918	10,868	5,837	4,263	23,886	2,086	25,971
Fossil fuel	TJ	320	125	387	375	1,207	80	1,287
Electric boiler and hood	TJ	97	0	25	0	122	0	122
<b>Total</b>	TJ	<b>3,334</b>	<b>10,993</b>	<b>6,249</b>	<b>4,637</b>	<b>25,214</b>	<b>2,166</b>	<b>27,380</b>
of which co-gen.	TJ	284	1,891	758	533	3,466	0	3,466
<b>Discharges</b>								
<b>To air</b>								
NO <sub>x</sub> as NO <sub>2</sub>	tons	196	672	362	254	1,483	109	1,592
SO <sub>2</sub>	tons	54	147	113	30	344	9	352
Dust	tons	26	43	36	51	155	63	219
CO <sub>2</sub> fossil	kton	23	10	32	30	94	4	99
CO <sub>2</sub> fossil, grid electricity	kton	24	1	2	2	29	2	31
CO <sub>2</sub> bio	kton	299	1,155	617	455	2,526	138	2,664
<b>To water</b>								
COD	tons	4,094	5,704	2,162	1,562	13,522	92	13,614
BOD	tons	115	492	320	222	1,149	144	1,293
Suspended solids	tons	117	191	742	839	1,889	2	1,891
AOX	tons	2	6	2	2	11	0	11
P	tons	3	15	15	12	45	2	47
N	tons	79	127	67	63	336	5	341
Effluent water	Mm <sup>3</sup>	13	15	12	5	45	0.2	45
<b>Solid waste</b>								
Landfill	tons	266	0	2,463	187	2,916	5,930	8,846
Recovery	tons	44,226	55,372	11,015	28,200	138,813	4,522	143,335
Hazardous	tons	452	339	224	43	1,059	158	1,217

# Social data

	2014	2013	2012	2011
Average number of employees	44,247 <sup>1)</sup>	34,004	33,775	43,697
of whom female, %	32	28	29	27
Employees leaving the company	5,949	5,143	3,993	5,207
Employees joining the company	5,109	4,426	6,344	4,809
Employee turnover, %	17	15	12	12
Age distribution, %				
-20 years	2	2	2	2
21-30 years	19	18	17	18
31-40 years	29	28	28	27
41-50 years	28	29	30	30
51-60 years	19	30	21	20
60+ years	3	3	2	3
Academic degree or similar	19	20	18	14
Competence development, hours per employee	22	20	17	19
<b>Diversity</b>				
Women, of total number of Board members and senior executives, %	21	21	21	18
Nationalities, senior management <sup>2)</sup> , number	25	18	23	14
Nationalities, senior and middle management <sup>2)</sup> , number	39	41	39	44
Female managers, senior management <sup>2)</sup> , %	25	24	23	17
Female managers, senior and middle management <sup>2)</sup> , %	29	25	29	21
Local hiring of senior and middle management, %	78	83	81	
<b>Health and safety<sup>3)</sup></b>				
Average headcount	28,145	29,319	27,184	27,507
Lost Time Accidents, LTA	375	488	520	459
Contractor Lost Time Accidents, CLTA	43	57	n.a.	n.a.
Days Lost due to Accidents, DLA	6,582	8,120	8,876	9,895
Accident Severity Rate, ASR	17.6	16.6	17.1	21.6
Frequency Rate, FR (LTA / 1,000,000 WH)	6.7	8.5	10.0	9.1
Incident Rate, IR (LTA/200,000 WH)	1.3	1.7	2.0	1.8
Fatalities	0	0	1	1
Main sites certified according to OHSAS 18001, %	51	45	30	28
<b>Code of Conduct</b>				
Business Practice Reviews	Brazil	Czech Republic, South Korea, Spain	Hungary, Malaysia	Central America, Greece
Code of Conduct audits	China, Russia, Spain, Turkey	Chile, France, Mexico, Slovakia, Taiwan	Russia, US, Sweden, Poland	Malaysia, Russia

<sup>1)</sup> Including Vinda

<sup>2)</sup> Senior management comprises the highest level of management group below the Corporate Senior Management Team (CSMT).

The number varies over time due to organizational changes and consists of 110-150 managers. Middle management consists of 750-1,000 managers.

<sup>3)</sup> Data for 2011, 2012 and 2013 is recalculated for acquisitions and divestments. 100% coverage for production and logistics and excluding sales offices and administration.



# About the report

This report describes SCA's sustainability initiatives from an environmental, social and financial perspective. SCA publishes a sustainability report each year.

The Sustainability Report and the Annual Report should be viewed as a single unit in which information may be provided in either report or, where appropriate, in both. Corporate governance is an example of a subject that is referred to briefly in the Sustainability Report but a more detailed description is provided in the Annual Report's corporate governance section.

## Reporting principles

The environmental and social data reported pertains to the 2014 calendar year. The figures cover the SCA Group's wholly owned subsidiaries and subsidiaries in which SCA owns at least 50% of the company. If SCA's ownership of a plant or mill is 50% or more, the entire facility is included. Newly acquired businesses are integrated when they have been part of the Group for one calendar year. In the 2014 report, the following exceptions to this principle have been made:

- In 2014, Chinese company Vinda was consolidated as a subsidiary. In the integration process, the financial reporting has been prioritized and as a consequence, environmental and social data have not been included in the 2014 Sustainability Report. SCA will include non-financial data from Vinda in the 2015 Sustainability Report.
- Some social data from joint ventures is not included. Code of Conduct data is one example, due to the fact that SCA and its joint ventures do not share a common code. Colombian Familia Group is SCA's largest joint-venture company (refer to Note 16 in the SCA Annual Report). The Familia Group adheres to GRI G4 guidance and the ambition is to include its social data in the 2015 SCA Sustainability Report.

When adjustments have been made compared with earlier reports, a note is appended directly beside the text or table.

A main site is a production facility that is wholly owned by SCA and that has 100 or more employees.

## Data collection

Data provided in the report is compiled through various systems, primarily the Group's ABS accounting system, Resource Management

System (RMS) and SCA's system for collection of social data.

## Environmental data

The RMS encompasses more than 80 production sites, covering virtually the entire company's environmental impact and resource utilization from production. It includes data from manufacturing operations but not from corporate staffs, offices or joint ventures. Data from stand-alone tissue converting site is included in the main mother reel supplying site. 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 is reported both internally and externally at the mill level, business unit level and for the Group as a whole.

## Social, Occupational Health & Safety (OHS) and Human Resource (HR) data

Data is provided from different internal systems and tools depending on the nature of the data. HR data resides in SCA's HR system and other qualitative data is collected in SCA's database for social data.

## Comparability

Certain data is adjusted retroactively to facilitate comparisons. Figures for the preceding year are

available in previous publications of SCA's Sustainability Reports. This particularly applies to data encompassed by SCA's sustainability targets, such as CO<sub>2</sub> and health and safety.

The results of the Group's CO<sub>2</sub> target and water target are adjusted each year in relation to production levels. Other environmental data is reported in absolute figures.

In 2014, SCA's joint venture in Australia, New Zealand and Fiji, Asaleo Care, was listed on the Australian stock exchange. SCA has a 32.5% ownership stake, and accordingly, environmental and social data has been excluded for 2014. Retroactive adjustments for the CO<sub>2</sub> and health and safety targets were made accordingly.

## GRI reporting

For the seventh consecutive year, SCA has prepared its report in accordance with Global Reporting Initiative (GRI) guidelines. The 2014 report adheres to GRI G4 guidelines at Core level. Accordingly, the Report has been structured in accordance with GRI principles, meaning that the content is determined by the issues that are most material to SCA and its stakeholders, and that the content provides a complete overview of the operations. With a few exceptions, SCA reports in accordance with all GRI indicators and on level identified as material. The identification of specific standard disclosure GRI aspects to report has been matched with SCA's materiality analysis on page 33. Any omissions or incomplete data are either commented on directly in the GRI index on pages 63–65 or on this page.

The entire Sustainability Report has been reviewed by PwC. The report is aimed at specialist audiences with an interest in SCA's sustainability performance, including analysts, investors and NGOs. More detailed information about SCA's work on environmental and social issues is available at [www.sca.com](http://www.sca.com).

# Auditor's Combined Assurance Report on SCA's Sustainability Report

## To Svenska Cellulosa Aktiebolaget SCA (publ)

### Introduction

We have been engaged by the management of Svenska Cellulosa Aktiebolaget SCA (publ) to undertake an examination of SCA's Sustainability Report for the year 2014.

### Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 61 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. The engagement includes a limited assurance engagement on the complete Sustainability Report and audit of certain information as specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualita-

tive information in the Sustainability Report.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. Hence, the conclusion based on our limited assurance procedures does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this assurance engagement is combined, our conclusions regarding the reasonable assurance and the limited assurance will be presented in separate sections.

Our reasonable assurance engagement includes the following:

- a) Environmental data – fossil fuels and grid supply – on page 54
- b) Health & safety data – Lost Time Accidents (LTA) and Accident Frequency Rate (FR) – on page 60

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 6th March 2015

PricewaterhouseCoopers AB



Anna-Clara af Ekenstam  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of FAR

# GRI Index

SCA's 2014 Sustainability Report adheres to Global Reporting Initiative guidelines, G4 Core. The following index shows where information on the GRI indicators can be found: this Sustainability Report (SR), the Annual Report (AR), or SCA's Group website ([sca.com/GRI](http://sca.com/GRI)), which contains the corresponding GRI index with direct links. This is the seventh report in which SCA applies GRI guidelines, which has been confirmed by PwC.

## General Standard Disclosures

	Description	Page	Comment/Omission
<b>Strategy &amp; Analysis</b>			
<b>G4-1</b>	Statement from the CEO and the Board of Directors	SR 2	
<b>Organizational Profile</b>			
<b>G4-3</b>	Name of the organization	SR Back cover	
<b>G4-4</b>	Primary brands, products, and services	AR Inside cover, 24–25, 48, 56	
<b>G4-5</b>	Location of headquarters	SR Back cover	
<b>G4-6</b>	Countries in which operations are located	AR 102	
<b>G4-7</b>	Nature of ownership and legal form	AR 36–37	
<b>G4-8</b>	Markets served	AR 51–53, 58–59, 64	
<b>G4-9</b>	Scale of the reporting organization	SR inside cover, AR inside cover	
<b>G4-10</b>	Breakdown of workforce	SR inside cover, 60	The majority of the workforce is employed directly by SCA. 97% of the workforce is permanently employed, of which 67% are men and 33% are women.
<b>G4-11</b>	Coverage of collective bargaining agreements	SR 43	
<b>G4-12</b>	Description of supply chain	SR 7, AR 28–29	
<b>G4-13</b>	Significant changes during the reporting period	AR 43	
<b>G4-14</b>	Addressing the precautionary approach or principle	SR 22	
<b>G4-15</b>	External charters, principles or initiatives endorsed	SR inside cover	
<b>G4-16</b>	Memberships in associations	SR inside cover	
<b>Identified Material Aspects &amp; Boundaries</b>			
<b>G4-17</b>	Report coverage of the entities in the consolidated financial statements	AR 92	
<b>G4-18</b>	Process for defining the report content and the aspect boundaries	SR 33	
<b>G4-19</b>	Material aspects identified	SR 33, 64–65	
<b>G4-20</b>	Aspect boundary within the organisation	SR 7, 61, <a href="http://sca.com">sca.com</a>	
<b>G4-21</b>	Aspect boundary outside the organisation	SR 7, 61, <a href="http://sca.com">sca.com</a>	
<b>G4-22</b>	The effect of restatements of information provided in previous reports	SR 61	
<b>G4-23</b>	Significant changes in the scope and aspect boundaries from previous report	SR 61	
<b>Stakeholder Engagement</b>			
<b>G4-24</b>	List of stakeholder groups engaged	SR 32	
<b>G4-25</b>	Identification and selection of stakeholders	SR 31	
<b>G4-26</b>	Approaches to stakeholder engagement	SR 31	
<b>G4-27</b>	Response to key topics and concerns raised	SR 32	
<b>Report Profile</b>			
<b>G4-28</b>	Reporting period	SR 61, AR 92	
<b>G4-29</b>	Date of most recent previous report	SR 61	March 2014.
<b>G4-30</b>	Reporting cycle	SR 61	
<b>G4-31</b>	Contact point for questions	SR 68	
<b>G4-32</b>	"In accordance" option chosen	SR 61	
<b>G4-33</b>	Policy and current practice regarding external assurance	SR 61	
<b>Governance</b>			
<b>G4-34</b>	Governance structure	AR 68–71, SR 50–51	
<b>G4-35</b>	The process for delegating authority for sustainability topics	SR 50, AR 68–69	
<b>G4-36</b>	Executive-level positions with responsibility for sustainability topics	SR 50	
<b>G4-37</b>	Processes for consultation between stakeholders and the highest governance body	SR 31, AR 68	
<b>G4-38</b>	Composition of the highest governance body and its committees	AR 68–71, 74	
<b>G4-39</b>	Position of the chair of the board of directors	AR 68	
<b>G4-40</b>	Nomination and selection processes for the highest governance body and its committees	AR 70	
<b>G4-41</b>	Highest governance body's role in setting purpose, values, and strategy	AR 40, 74	
<b>Ethics &amp; Integrity</b>			
<b>G4-56</b>	Values, principles, standards, code of conduct and code of ethics	SR 18, 38	

## Specific Standard Disclosures

Material Aspects	DMA* and indicator	Description	Page	Comment/Omission	Topic in SCA's Materiality Analysis
<b>Economic</b>					
Economic Performance	<b>G4-DMA</b>	DMA	SR 34–35, AR 78		Financial risks
	<b>G4-EC1</b>	Direct economic value generated and distributed	SR 34–35		
	<b>G4-EC2</b>	Risks and opportunities due to climate change	SR 22, 26, AR 79		
Market Presence	<b>G4-DMA</b>	DMA	SR 6, 42, AR 14–19		Human capital
	<b>G4-EC5</b>	Entry level wage by gender ompared to minimum wage	SR 35	In countries applying minimum wages, the entry-level wages paid by SCA are, on average, 17% higher than the legislated minimum wage.	
	<b>G4-EC6</b>	Local hiring	SR 60		
Indirect Economic Impacts	<b>G4-DMA</b>	DMA	SR 34–35, 44, AR 78		Financial risks
	<b>G4-EC8</b>	Significant indirect economic impacts	SR 34–35, 44		
<b>Environmental</b>					
Energy	<b>G4-DMA</b>	DMA	SR 2–3, 7, 45–46, AR 11	SCA adheres to the EU Industrial Emissions Directive (IED) BREF.	Resource efficiency
	<b>G4-EN3</b>	Energy consumption within the organization	SR 52–54	Conversion factors from IEA 2012.	
	<b>G4-EN4</b>	Energy consumption outside of the organization	SR 52–54	Conversion factors from IEA 2012.	
	<b>G4-EN6</b>	Reduction of energy consumption	SR 3, 22–23, 45		
Water	<b>G4-DMA</b>	DMA	SR 28, 48		Water use and water purification
	<b>G4-EN8</b>	Total water withdrawal by source	SR 28–29, 46–47		
Biodiversity	<b>G4-DMA</b>	DMA	SR 6–7, 26, 48		Forest assets
	<b>G4-EN11</b>	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		No SCA locations are located directly adjacent to areas classified as being of high biodiversity value.	
Emissions	<b>G4-DMA</b>	DMA	SR 2–3, 7, 45–46, 48	Emission rights are not included in SCA's CO <sub>2</sub> target.	Resource Efficiency Carbon Emissions Water use and water purification
	<b>G4-EN15</b>	Direct greenhouse gas (ghg) emissions (scope 1)	SR 52–54		
	<b>G4-EN16</b>	Energy indirect greenhouse gas (ghg) emissions (scope 2)	SR 52–54		
	<b>G4-EN17</b>	Other indirect greenhouse gas (ghg) emissions (scope 3)	SR 52–54	SCA reports emissions from transport activities.	
	<b>G4-EN18</b>	Greenhouse gas (ghg) emissions intensity	SR 52–54		
	<b>G4-EN19</b>	Reduction of greenhouse gas (ghg) emissions	SR 52–54		
Effluents and Waste	<b>G4-DMA</b>	DMA	SR 7, 45, 48–49		Resource efficiency Water use and water purification
	<b>G4-EN22</b>	Total water discharge by quality and destination	SR 48–49		
	<b>G4-EN23</b>	Total weight of waste by type and disposal method	SR 53–54	SCA does not subdivide its waste in accordance with the categories suggested by GRI.	
Products and Services	<b>G4-DMA</b>	DMA	SR 7, 10–12, 45		Innovation Resource efficiency
	<b>G4-EN27</b>	Mitigation of environmental impacts of products and services	SR 12–13, 36–37	Impacts in line with GRI categories are part of SCA's Life Cycle Assessments.	
Transport	<b>G4-DMA</b>	DMA	SR 7, 45		Carbon emissions
	<b>G4-EN30</b>	Significant environmental impacts of transportation	SR 24, 45	SCA does use GRI categories to measure mitigation.	
Environmental Grievance Mechanisms	<b>G4-DMA</b>	DMA	SR 38, 49		Business ethics
	<b>G4-EN34</b>	Grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	SR 49		
<b>Social</b>					
<b>Labor Practices and Decent Work</b>					
Employment	<b>G4-DMA</b>	DMA	SR 34–35, 42–43, AR 33		Human capital
	<b>G4-LA1</b>	New employee hires and employee turnover	SR 60	Breakdown of joiners is available at a local level.	
	<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	sca.com/GRI		
Labor/Management Relations	<b>G4-DMA</b>	DMA	SR 34–35, 42–43, AR 33		Human capital
	<b>G4-LA4</b>	Minimum notice periods regarding operational changes	SR 44		
Occupational Health and Safety	<b>G4-DMA</b>	DMA	SR 20, 41–42	In some countries, SCA's activities to promote a healthy and safe work environment also include family and community members. However, this data is not collected at a Group level.	Health & Safety
	<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees	SR 41		
	<b>G4-LA6</b>	Injuries, lost days, absenteeism and fatalities and total number of work-related fatalities	SR 41	SCA's consolidated data includes the most important safety KPIs. Additional data is available at local sites. SCA does not record safety data, for example, on the basis of gender.	
	<b>G4-LA7</b>	Workers with high incidence or high risk of diseases related to their occupation	sca.com/GRI	A detailed survey of the various risks is performed at each site.	
	<b>G4-LA8</b>	Health and safety topics covered in formal agreements with trade unions	SR 41		
Training and Education	<b>G4-DMA</b>	DMA	SR 34–35, 42–43, AR 33		Human capital
	<b>G4-LA9</b>	Average hours of training per year per employee	SR 41	Training hours are divided equally between men and women. In 2014, data was not broken down according to employee categories.	
	<b>G4-LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SR 42–44		
Diversity and Equal Opportunity	<b>G4-DMA</b>	DMA	SR 34–35, 42–43, AR 33		Human capital
	<b>G4-LA12</b>	Composition of governance bodies and employee breakdown	SR 50–51, AR 68–75		

\* Disclosure on Management Approach



Material Aspects	DMA* and indicator	Description	Page	Comment/Omission	Topic in SCA's Materiality Analysis
Equal Remuneration for Women and Men	<b>G4-DMA</b>	DMA	SR 34, 42		Human capital
	<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to men		SCA will implement a global HR system in 2015. This will enable relevant comparisons of salary levels between men/women and other criteria, such as blue/white collars, age groups, seniority.	
Supplier Assessment for Labor Practices	<b>G4-DMA</b>	DMA	SR 7, 18–19, 40		Efficiency in the supply chain
	<b>G4-LA14</b>	Percentage of new suppliers that were screened using labor practices criteria	SR 40	SCA's global supplier base must commit to the SCA Global Supplier Standard. New suppliers are audited relative to this standard by SCA staff or third-party auditors.	
	<b>G4-LA15</b>	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	SR 40		
Labor Practices Grievance Mechanisms	<b>G4-DMA</b>	DMA	SR 18, 38		Business ethics
	<b>G4-LA16</b>	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	SR 38	Of the 78 identified potential Code of Conduct breaches reported and closed in 2014, 18 related to labor practices. Four were confirmed breaches.	
<b>Human Rights</b>					
Investment	<b>G4-DMA</b>	DMA	SR 38–40, AR 80		Business ethics
	<b>G4-HR1</b>	Human rights screening or clauses included in significant investment agreements	SR 39–40, AR 80	No significant investments/acquisitions were made in 2014.	
	<b>G4-HR2</b>	Employee training on human rights	SR 18, 38	SCA measures Code of Conduct training, including in the area of human rights, as a percentage of total SCA staff who receive training.	
Non-discrimination	<b>G4-DMA</b>	DMA	SR 38, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-HR3</b>	Actions taken in incidents of discrimination	SR 38		
Freedom of Association and Collective Bargaining	<b>G4-DMA</b>	DMA	SR 38, 43, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-HR4</b>	Supporting right to freedom of association and collective bargaining agreement in risk areas	SR 19, 38–40	No SCA sites were identified as high-risk sites by Sedex.	
Child Labor	<b>G4-DMA</b>	DMA	SR 38, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-HR5</b>	Measures taken to eliminate child labor in risk areas	SR 19, 38–40	No SCA sites were identified as high-risk sites by Sedex.	
Forced or Compulsory Labor	<b>G4-DMA</b>	DMA	SR 38, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-HR6</b>	Measures taken to eliminate forced or compulsory labor in risk areas	SR 19, 38–40	No SCA sites were identified as high-risk sites by Sedex.	
Indigenous Rights	<b>G4-DMA</b>	DMA	SR 27, 31, 38, sca.com/GRI	Included in SCA's Code of Conduct	Human rights
	<b>G4-HR8</b>	Violations of indigenous peoples rights and actions taken	SR 38		
Supplier Human Rights Assessment	<b>G4-DMA</b>	DMA	SR 38, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-HR10</b>	Percentage of new suppliers that were screened using human rights criteria	SR 40		
	<b>G4-HR11</b>	Significant actual and potential negative human rights impacts in the supply chain	SR 40		
Human Rights Grievance Mechanisms	<b>G4-DMA</b>	DMA	SR 38–39		Human rights
	<b>G4-HR12</b>	Grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	SR 38	Of the 78 identified potential Code of Conduct breaches reported and closed in 2014, 32 related to human rights and incidents of discrimination or harassment. 18 were confirmed breaches.	
<b>Society</b>					
Anti-Corruption	<b>G4-DMA</b>	DMA	SR 38–39, AR 80, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-SO3</b>	Operations assessed for risks related to corruption and the significant risks identified	SR 39		
	<b>G4-SO5</b>	Actions taken in response to confirmed incidents of corruption	SR 40	No agreements with global suppliers were terminated due to sustainability-related non-compliance in 2014.	
Anti-competitive Behavior	<b>G4-DMA</b>	DMA	SR 38, sca.com/GRI	Included in SCA's Code of Conduct	Business ethics
	<b>G4-SO7</b>	Anti-trust and monopoly court cases		In 2014, SCA did not receive any material reports of anti-trust violations nor was it involved in any court cases relating to monopoly behavior. SCA did receive an anti-trust decision in France, but related to a period prior to SCA's ownership of the facility and all costs was fully covered by the previous owner. In Spain, competition authorities have initiated an investigation of the Spanish incontinence care market in general.	
Grievance Mechanisms for Impacts on Society	<b>G4-DMA</b>	DMA	SR 38, 49		Business ethics
	<b>G4-SO11</b>	Grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	SR 38	Of 78 identified potential Code of Conduct breaches reported and closed in 2014, none was related to impacts on society.	
<b>Product Responsibility</b>					
Customer Health and Safety	<b>G4-DMA</b>	DMA	SR 33, 37		Product safety
	<b>G4-PR1</b>	Assessment of health and safety impact of products	sca.com/GRI		
Product and Service Labeling	<b>G4-DMA</b>	DMA	SR 36–37, 47		Customer and consumer satisfaction Product safety
	<b>G4-PR3</b>	Product information required by procedures	sca.com/GRI		
	<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	SR 10		

\* Disclosure on Management Approach

# Glossary

**Anaerobic treatment** Anaerobic wastewater treatment uses biological agents in an oxygen-free environment to remove impurities from wastewater.

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

**ASR (Accident Severity Rate)** The severity of accidents defined as the number of days lost due to accidents (DLA) in relation to the number of lost time accidents (LTA). Refer also to FR, IR and Lost Time Accidents (LTA).

**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 IED directive and BREF).

**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.

**Biofuel** Renewable fuel from wood and process residues.

**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 seven days in SCA's Swedish mills and five 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 a number of sectors selected by the EU, including the pulp and paper industry.

**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.

**Carbon sink** As they grow, forests transform gaseous carbon into solid form, thereby absorbing CO<sub>2</sub> whilst simultaneously producing oxygen. Forests, agricultural land 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- and PEFC-certified forests.

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

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

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

**CHP** See Co-generation or Combined Heat and Power.

**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<sub>2</sub> biogenic** The carbon dioxide derived from combustion of biofuel. It is calculated from the carbon content of wood.

**CO<sub>2</sub>, 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 CO<sub>2</sub>.

**CO<sub>2</sub> fossil** The carbon dioxide derived from combustion of fossil fuels. It is calculated from the carbon content of each fuel.

**COD, Chemical oxygen demand** Water emission factor which describes the amount of oxygen 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.

**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 also require its contractors, subcontractors and suppliers, to observe them.

**Co-generation or Combined Heat and Power,**

**CHP** Combined production of electricity and thermal energy. Co-generation has a high total efficiency.

**Consumer waste** Waste generated after a product has been used, for example, used diapers, feminine care products and tissue.

**Dust** Particles in the flue gas created during combustion.

**Effluent water** Water discharged to water courses after treatment.

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

**Environmental Management System** The 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** Quantified environmental data for a product with pre-set categories of parameters based on the ISO 14040 series of standards but not excluding additional environmental information.

**ESAVE** Structured energy-saving program introduced by SCA in its energy-intensive manufacturing units in 2003. 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.

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

**Fossil fuel** Coal, fuel oil and natural gas.

**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.

**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 based on FSC-certified forests. SCA is an active supporter of FSC.

**FSC's standard for Controlled Wood** This standard makes it possible for producers to mix FSC-certified material with uncertified material under controlled conditions. The traceability standard comprises strict rules on how and to what extent mixing may take place. The uncertified material is required to come from controlled and acceptable sources.

**Grid supply** The electricity supplied from the national grid.

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

**Hazardous waste** Material disposed of by authorized contractors, as defined by national laws.

**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).

**IED (Industry Emissions Directive)** The EU Directive on integrated pollution prevention and control.

**Incidence Rate, IR** Number of incidents per 200,000 working hours.

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

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

**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 primarily made of fresh wood.

**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.

**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.

**LTA, Lost Time Accidents** Accidents that cause the absence of an employee from work.

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

**Main site** A production facility that is wholly owned by SCA and that has 100 or more employees.

**Mechanical pulp** Debarked wood that is ground or chipped for mechanical refining to separate the fibers that form pulp.

**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 fiber or recovered fiber.

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

**NO<sub>x</sub> as NO<sub>2</sub>** The nitrogen oxides NO and NO<sub>2</sub>, calculated as NO<sub>2</sub> derived from combustion. Where NO<sub>x</sub> is not measured, a standard value of 100 mg/MJ fuel is used.

**Organic fossil material** Covers crude-oil-based materials, such as super-absorbents and adhesives calculated at 100% dry substances.

**PEFC™, Programme for the Endorsement of Forest Certification** An international organization promoting responsible forest management and certification.

**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.

**Production waste** To SCA, waste comprises only materials leaving its production units that cannot be used for any further useful purpose. Recovered paper and fiber are excluded, since they form part of SCA's main raw materials.

**REACH, Regulation, Evaluation, Authorization and Restriction of Chemicals** European regulation (1,907/2,000/EC) which address the production and (safe) use of chemical substances and their potential impact on both human health and the environment. Some 30,000 chemicals will have to be registered after testing with the central European Chemical Agency (ECHA) in Helsinki. 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.

**SO<sub>2</sub>** Total sulfur calculated as SO<sub>2</sub> from processes and combustion at the site. Where SO<sub>2</sub> is not measured, the input sulfur in the fuel is calculated.

**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 fiber debris, filler and other inert materials. It used to be sent to landfill. Nowadays, used as 'new' raw material and incinerated for energy recovery.

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

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

**Suspended solids** Particles that are not dissolved in the effluent water.

**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% 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).

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

**TWh, TeraWatt hour** Unit of energy measurement. 1 TWh=1,000 million KWh

**UN Global Compact** A strategic platform for sustainable business. Today, Global Compact is the world's largest voluntary initiative with more than 12,000 signatories from 145 countries who have committed to work according to the Global Compact's ten principles concerning human rights, labor, the environment and anti-corruption.

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

**Water stress** Occurs when the amount of good quality water is no longer enough to cover the community's needs. The definition that is usually used for water stress is if the amount of fresh water available in a country is less than 1,700 cubic meters per person and year. This can be compared with the limits for chronic water scarcity (1,000 cubic meters per person and year) and absolute water scarcity (500 cubic meters per person and year).

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