

Sustainability report
2011

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SVEASKOG

Sustainability report

Sveaskog AB (publ) with registered number 556558-0031 is a limited company with its registered office in Kalix, Sweden.

Sveaskog sets a good example and contributes to sustainable development – economic, environmental and social – today and in the future.

Our reporting on targets and target performance within economic, environmental and social responsibility aims to provide greater transparency and information about our operations. This is our seventh sustainability report and it is prepared in accordance with Global Reporting Initiatives* guidelines, GRI G3.

The 2011 Sustainability Report is submitted by Sveaskog's Board of Directors. The report meets GRI's application level B+ and is reviewed by PwC, the company's auditors.

* Global Reporting Initiative (GRI) is a network-based organisation working in co-operation with the UN Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. The guidelines contain three different application levels. They are titled C, B and A. The reporting criteria found in each level reflects an increasing application or coverage of the GRI Reporting Framework. An organisation can self-declare a "plus" at each level if they have utilised external assurance. Detailed information about GRI and its regulatory framework is available at www.globalreporting.org.

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Owner's guidelines

Sveaskog is to be an independent player with its core activity in forestry and must generate a commercial return.

Guidelines for Sveaskog's operations

Sveaskog belongs to the group of companies owned by the Swedish state whose operations are subject to market conditions and requirements. As a complement to the Swedish Companies Act and the Swedish Code of Corporate Governance, the government has formulated an ownership policy that applies to state-owned companies. This states the principles for governance of these companies and their reporting procedures. The ownership policy also underlines that state-owned companies must have a well thought-out strategy for ethical, social and environmental responsibility and set a good example in their work on equal opportunities and diversity, and that they must have the best possible long-term growth in value.

Guidelines for Sveaskog's operations are stipulated in the company's articles of association, as well as in the ownership policy and general legislation.

Assignment

Sveaskog is to operate on a commercial basis and generate a commercial return. Sveaskog should be an independent player with forestry as its core activity, without major interests of its own as an end-user of wood raw material. Sveaskog may also conduct closely related activities provided they contribute to increasing the company's returns.

Furthermore, Sveaskog will continue with land sales on market terms to enable reallocation of land holdings and add-on purchases for private forestry, particularly in sparsely populated areas. Sales of land will be carried out until 10% of the area owned by the company at its formation in 2002, has been sold.

Focus on customers and increased efficiency

The forest industry is a backbone of the Swedish economy. And the forest is a pivotal resource for counteracting climate change. Sveaskog plays a key role in this work. We are Sweden's leading forest company and develop sustainable benefits within all forest applications.

I took over as CEO of Sveaskog in October 2011. My task is to ensure that Sveaskog meets the targets decided by its owner during the year. In relation to earlier targets these mean an increased profit requirement on an operating basis of approximately SEK 300 million. In order to reach this target we must work with a greater focus on customer orientation and profitability.

Lower sales

Sveaskog sold 10.6 million cubic metres of wood raw material in 2011 which is approximately 6% less than in the previous year. The decrease is partly due to our allocation of 100,000 hectares of productive forest land to the state as replacement land for nature reserves, and partly to a falling market for wood raw material with lower average prices.

The main decline was in sales of sawlogs which are our most valuable product range. A lower proportion of sawlogs leads to lower revenues and higher production costs since the two other main product assortments, pulpwood and biofuel, are more expensive to fell and transport.

Biofuel sales increased for the fifteenth consecutive year and in 2011 we delivered for the first time more than three terawatt hours of renewable energy. We are focusing on the development of more effective biofuel production. During the year we succeeded in obtaining a better dry matter content in the branches and tops assortment, which is decisive for profitability in the energy business.

Strong financial position

Net sales for 2011 totalled SEK 6,724 million, a decrease of SEK 227 million due to lower sales volumes and lower average prices. Operating profit from continuing operations decreased to SEK 1,085 million (1,280), mainly due to lower deliveries and higher production costs.

Return on equity amounted to 4.7% which is lower than in 2010 and below the 7% target. The lower return compared with the previous year is mainly due to the review we have performed of the model for valuation of standing timber. Starting with the year-end report for 2011 we apply current normal costs instead of a historical average when calculating costs for forestry operations.

Sveaskog has a strong financial position with an equity ratio of 54%. In order to reduce the equity ratio to 35–40%, which is the new target adopted by our owner, Sveaskog proposes an extraordinary dividend in 2012.

Uncertain market situation

In a long-term, global perspective the use of wood raw material is expected to increase. In particular, stricter environmental requirements mean that wood, as a renewable material, is in demand in a growing number of products. But in the year ahead, the market is uncertain.

The Swedish wood products industry is experiencing problems with profitability and uncertainty about how demand and prices will develop. The market for the pulp and paper industry is also declining for most products while competition is intense.

Global competition is forcing a consolidation in the Swedish forest and wood products industry towards fewer and larger units. At the same time, there will continue to be successful wood products companies with a clear niche position in a specific industrial value chain.

The market for biofuel is growing. Swedish use of biofuel is well developed and therefore expected to rise at a lower rate than previously. In Europe, there are plans for major investments in biofuel-based energy production in order to attain the EU's 20-20-20 climate targets.

Developed customer co-operation

Sveaskog offers customised deliveries of wood raw material to 170 customers in the wood products industry, the pulp and paper industry and the energy sector. Our customers consider that we are a reliable business partner with considerable expertise and that we are well able to deliver the promised grades and agreed volumes. But they would like Sveaskog to have greater insight into their market conditions and to take more initiatives for joint development projects. Increasing knowledge about customers' businesses and creating more intense and developed co-operation with customers is our highest priority.

Business with forest as base

As well as raw material we offer seedlings and services related to regeneration through Svenska Skogsplantor AB as well as leases for hunting, fishing, eco-tourism and wind power. We see a growing market here and potential to create more products and services.

We have also started development of ecosystem services related to binding of carbon dioxide, biodiversity and water treatment. Together with LKAB, we are running a demonstration project in Övertorneå which highlights the Swedish forest's unutilised potential for climate benefit. Sveaskog has carried out measures that make the forest bind more carbon dioxide and LKAB has purchased carbon dioxide credits from us based on this increased sequestration.

Sustainable development

Sveaskog wants to set a good example within environmental initiatives and social responsibility. For our part this means working with ambitious environmental targets and acting responsibly in our relationships with employees, business partners and members of the community who are affected by our operations.

We manage our forests in accordance with the market-driven FSC® certification for responsible forestry and we support the UN's Global Compact which seeks to achieve sustainable development. The Global Compact's principles for human rights and labour conditions are given tangible form in our code of conduct and our CSR requirements which we regularly reinforce with training and follow-up.

In order to be an attractive employer over time, we wish to increase diversity in the company. This applies to gender, age and education as well as ethnicity and cultural background. Including diversity in work planning and recruitment is an important part of leadership and therefore an issue which we underline at meetings with the company's managers.

Ambitious environmental objectives

Sveaskog uses 20% of productive forest land in each forest region as nature conservation land. We make extensive efforts to secure and develop high natural values on our lands. Other environmental objectives we work with include valuable aquatic ecosystems, a reduced amount of significant damage caused by vehicles and lower carbon dioxide emissions. Both independent external and internal follow-ups show that we have a high quality in our forest and natural values.

Improved efficiency

We need to strengthen our customer orientation and increase our operational and administrative efficiency in order to achieve our return targets and develop the value of Sveaskog's forest assets in a sustainable manner. Key areas for development, and where we started a change programme during 2011, are management by objectives and results, leadership, standardised working methods and continual improvements. Within the company there is consensus and considerable support for the work that lies ahead. This can be seen both in the VIS employee survey and in interviews with some 50 managers during 2011. This picture was strengthened during the meetings with all market areas and units I had during the late autumn in order to familiarise myself with the business.

At the end of the year we started to design a new organisation which will create an increased focus on customers and market



throughout the company and support more effective working methods. Starting on 1 April 2012 we will work with decentralised profit responsibility in three geographical market areas: North, Central and South, the Properties business area and the subsidiary Svenska Skogsplantor AB.

Productivity in forestry depends on continued development of new technology and new methods. Here we work in co-operation projects with the industry, equipment manufacturers and research institutes.

I am looking forward to leading the development of our co-operation with customers, our forestry and our earnings, together with Sveaskog's employees. We will create values for customers, owner and society by working with the forest in a new way.

As a leading forest company Sveaskog has a key task to encourage the development of sustainable forestry. Together with our customers, we will develop new products and solutions which create values in the entire chain from forest to end product.

A handwritten signature in blue ink, which appears to read 'Per-Olof Wedin'. The signature is fluid and cursive.

Per-Olof Wedin

Year of Forests – opportunities and challenges

The UN declared 2011 the Year of Forests. The forest and its usage are in many ways a cornerstone of sustainable development. At the same time, this represents major challenges for forestry to balance diverse interests and needs regarding forest values. This was clearly illustrated in 2011 when forest issues at a global level very much concerned land usage and climate effects while the forest debate here at home was characterised by different opinions about forestry's consideration for nature and application of laws.

Forest increasingly important in climate issue

During the year things quietened down regarding the climate issue and expectations ahead of the climate conference in Durban in December were toned down considerably. Against this background it should be seen as a success that these negotiations resulted in a road map for a new climate treaty to be signed by 190 countries and implemented in 2020. Perhaps the clearest understanding was that the forest and land usage are the key to the entire question. But a lot must happen in a short time. From today's situation where dependence on fossil fuels in the world is almost total and demand for energy is increasing, the European countries for example must in a few years increase the proportion of renewables in their energy mix to 20%. Expectations of possibilities for increased deliveries of wood-based biofuel represent one of the greatest business opportunities – and challenges – in the years ahead.

Business-based climate work

During the autumn Sveaskog and LKAB started a co-operation to phase out the mining company's use of fossil fuels by 2020. By starting to replace the large amounts of fossil fuels that are mainly used in the mining industry's refining processes, with biofuels from the forest, emissions of carbon dioxide can be reduced over time. Another way to reduce the amount of carbon dioxide is to increase its sequestration in forest and land. Sveaskog and LKAB carried out a first trade in this area during the autumn with ecosystem services, where LKAB paid Sveaskog for measures that make the growing forest bind more carbon dioxide. This transaction is part of a demonstration project which the companies are conducting in Övertorneå where trading with forest carbon dioxide credits can expose the climate benefits of the Swedish forests in a new way.

Increased focus on ethics

For many companies within different industries sustainability in governance and targets have become increasingly important. This is about purely ethical motives and also commercial considerations, particularly for Sveaskog which wishes to set a good example in these areas. Application of the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption are a part of this work, and a more systematic follow-up of our sustainability requirements on our suppliers was started during the year. The intention is to find out how our suppliers work with these issues and see how together we can develop mutually good business through improvements in working methods for social responsibility.



Olof Johansson

FSC® training programmes

FSC® is a synthesis of the economic, environmental and social ambitions in forest management. For over ten years now Sveaskog's land holdings have been FSC® certified. During this period the commercial significance has increased at the same time as the system has also become more complex. There were therefore gaps to be filled in the training in FSC® matters for Sveaskog's employees which was rolled out during the year. At the same time, these training courses were a reminder of the role FSC® plays in combining the different targets for operations and therefore for sustainable development in 2011, the Year of Forests.

Governance for sustainable development

Sustainable forestry requires respect for forest ecology and a balance between established targets. Sveaskog has policies and guidelines that form a framework for how operations are conducted and how we as a company are to act within different areas.

Sustainability issues are a natural and integral part of Sveaskog's operations and governance and they support our overall vision to be a leader in developing the value of forest assets. Sustainability governance is about balancing different aspects of the business so that we meet our economic, environmental and social objectives.

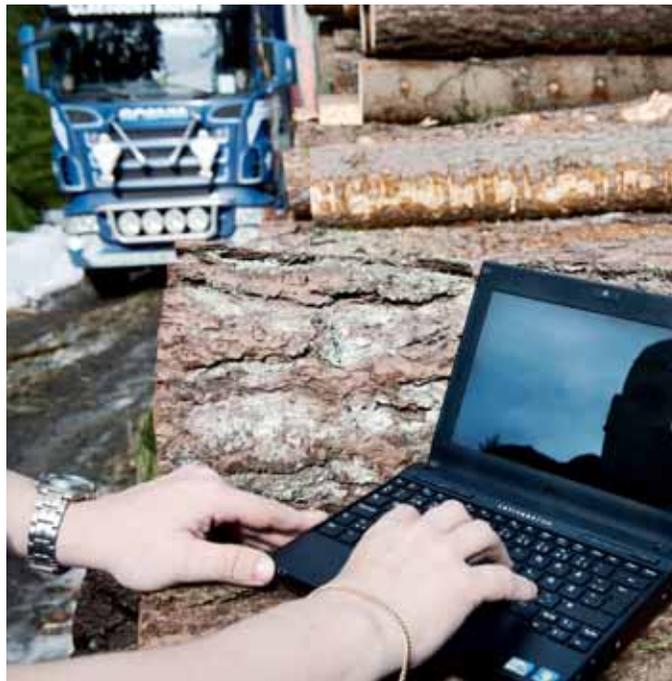
Mission from the owner

A long-term approach is firmly embedded in Sveaskog's operational targets for economic, environmental and social responsibility. Our strategic focus is based on the owner's mission and on market conditions.

Responsibility and reporting

In Sveaskog's process-oriented organisation, the managers within the line organisation have direct responsibility for environment issues and social responsibility. Overall responsibility for co-ordinating and following up work towards the targets adopted by the Board and the CEO rests with the Head of Environment and Social Responsibility who is also responsible for the annual evaluation of targets and performance.

For information on our reporting, see page 26. The Board reports on its work in the annual corporate governance report. More information about corporate governance, the Board and Management is provided on pages 64–70 of Sveaskog's Annual Report in Swedish.



Management systems and guidelines

Sveaskog's environmental management system is ISO 14001 certified, and its forest holdings are certified in accordance with the Swedish FSC® standard. Reports on any deviations from these management systems can be made via the company's Intranet. Our work is supported by a number of policies and guidelines. See below.

External and internal policies and guidelines

Global Compact

Sveaskog supports the UN's Global Compact initiative, thereby assuming a strong stance on issues relating to human rights, social conditions, environmental responsibility, freedom of association and anti-corruption. Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for how multinational enterprises should conduct responsible business. More information about Global Compact is available at www.globalcompact.org.

FSC®

FSC® stands for the Forest Stewardship Council and is an international, independent, membership organisation for the certification of forestry and forest products. Read more about FSC® on the inside cover.

Sveaskog's policies and guidelines

The Code of Conduct dictates how Sveaskog and our employees are to conduct themselves as business partners, employers and members of society.

The environmental policy contains broad principles for environmental work and covers the aspects given priority by us and our stakeholders.

The climate strategy describes the objectives and impact on the climate from the production of forests and renewable energy. It also covers the reduction of emissions.

The personnel policy establishes our joint responsibility for maintaining a good working environment and presents the requirements for good leadership. It has been compiled in consultation with the trade unions.

The equality and diversity plan expresses our commitment to promoting gender balance among employees at all levels and in all activities.

The information policy governs how the company manages, disseminates and comments on internal and external information.

The financial policy dictates how the company's financial activities are to be formed and conducted.

The purchasing guidelines stipulate how to apply and maintain good business ethics and professional conduct. Sveaskog must comply with applicable laws on the purchase of goods and services as well as taking environmental aspects into account in accordance with the environmental policy.

Our forestry policy stipulates how the forests are to be managed in terms of both production and the environment.

Guidelines for silviculture and considerations when purchasing timber include the requirement that procured timber must be felled in accordance with FSC®.

The trade union co-operation agreement focuses on health and safety, the working environment and co-operation and is concluded between management and the trade unions.

Targets and performance

Based on goals decided by the owner, Sveaskog's vision and strategies and principles for sustainable development, Sveaskog has developed objectives and targets for economic, environmental and social responsibility.

These two pages describe Sveaskog's targets for economic, environmental and social responsibility. Each area includes a brief account of performance in 2011. Information in parentheses refers to

performance in 2010. Performance for environmental and social targets is described in the Sustainability Report. The financial results for 2011 and reported in the Annual Report, in Swedish.

Economic targets and performance 2011

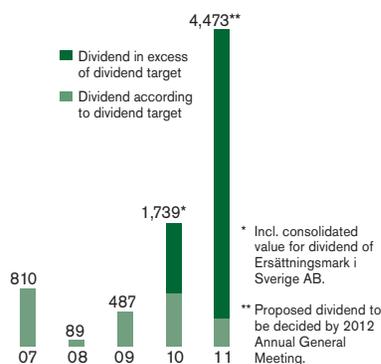


The Annual General Meeting in 2011 decided on new financial targets for Sveaskog.

For 2011 the Board proposed a dividend in accordance with the dividend target of SEK 473 million and a dividend in excess of the dividend target of SEK 4,000 million.

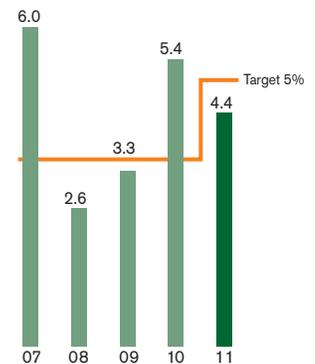
Lower earnings for Sveaskog in 2011 compared with previous year.

Dividend, SEKm



Financial target decided by owner:
At least 60% of profit after tax including changes in value that affect cash flow, according to IFRS.

Yield, %



Financial target decided by owner: 5%.

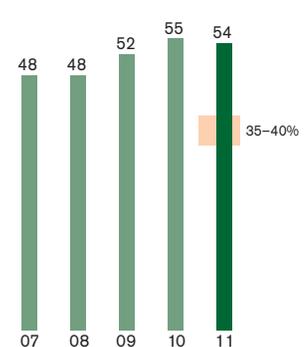
Return on equity, %



Financial target decided by owner: 7%.

* See pages 73 and 90 in the Annual Report, in Swedish.

Equity ratio, %



Financial target decided by owner: 35-40%.

Environmental targets and performance 2011



Biodiversity

Target: 20% of productive forest land within each forest region to be used as nature conservation land.

Performance: 20% has been set aside and tools for selection, reappraisal and restoration are in place.

Target: Create ecoparks corresponding to approximately 5% of forest land.

Performance: 36 ecoparks totalling 145,000 hectares (5%) decided on, 29 have been inaugurated.

Water and land

Target: Identify valuable aquatic ecosystems and draw up action plans.

Performance: Selection model for aquatic landscapes developed in 2011 and one aquatic landscape per market area has been inventoried. 100 wetlands have been restored. The target has thus been reached.

Target: Reduce number of significant incidences of hauling damage.

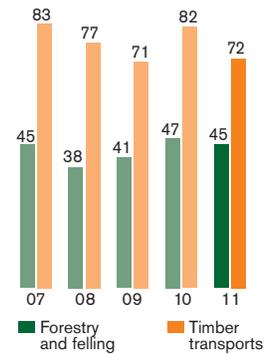
Performance: 93% (94) of felling operations at random self-assessments were approved with regard to significant hauling damage.

Climate impact and emissions

Target: To reduce emissions from combustion of fossil fuels by at least 30% by 2015, comparative year is 2008.

Performance: Fossil emissions of carbon dioxide from all Sveaskog's operations totalled 133,000 tonnes (145,000) of which timber transports accounted for 55%.

Largest fossil CO₂ emissions (ktonnes) Sveaskog



Social targets and performance 2011



Employees

Satisfied employees

Employee Satisfaction Index
Target: 70
Performance: 69

Completed performance reviews

Target: 100%
Performance: 96%

Good leadership

Leadership index
Target: 70
Performance: 72

No work-related injuries

Work-related injuries per 1,000 FTEs
Target: 0
Performance: 6.0 (8.3)

More even gender balance

Gender balance*
Target: More even gender balance/unit*
Performance: More even gender balance at two out of four units

Proportion of women managers

Target: Higher percentage
Performance: 23% (25)

* Permanent employees within forestry operations including Sveaskog Baltfor SIA, Sveaskog Förvaltnings AB's staffs, Svenska Skogsplantor AB, Sveaskog Naturupp-levelser AB.

Social responsibility

Good business relations

Customer Satisfaction Index
Target: 70
Performance: 64 (2010)

Supplier Satisfaction Index

Target: 70
Performance: 70 (2010)

Contractor Satisfaction Index

Target: 70
Performance: 69 (2010)

Confidence in Sveaskog

Confidence Index
Target: 67
Performance: 67 (2010)

Stakeholder dialogues

Target: 2,800 people/year
Performance: 4,188 (3,786)

Dialogue – a key tool for change

Sveaskog's operations, goals and strategies affect and concern many people who have different views and expectations on our activities. Dialogue and co-operation are key tools for creating support among and values for our stakeholders.

In order to carry out the assignment we have been given by our owner we need to balance Sveaskog's goals and strategies with expectations on the company.

Wide variety of stakeholders

The many applications and values of the forest mean that Sveaskog has many different stakeholders. Those most affected by and/or concerned about our operations include owner, employees, customers, suppliers, contractors, reindeer herders, authorities, nature conservation organisations, tourism companies, hunters, anglers and lending institutions. Many stakeholders are found locally where we have our forests and conduct operations.

Dialogues and co-operation

We work with regular stakeholder dialogues. These give us valuable information and a better basis on which to make decisions. The aim is to conduct a close dialogue which leads to greater awareness and participation. This makes it easier for us to identify potential areas of dispute and raise the level of transparency in our operations. Our consultations and dialogue meetings do not always result in a consensus, but are characterised by respect for different and conflicting interests.

Dialogues and meetings with external stakeholders are reported in our environment and quality management system. This reporting provides structure to our dialogues and facilitates systematic

Sveaskog's key stakeholders

Our stakeholder dialogues are structured and the issues documented. A list of key issues from ten of our stakeholder groups is provided below.

Stakeholder	Issues	What is Sveaskog doing	Dialogue opportunities
Employees	Skills development and supply, working environment and health, organisation	Internal training programmes, supports internal mobility, active recruitment, working environment initiatives and develops organisation	Performance reviews, VIS survey, manager days, trade union co-operation, workplace meetings
Owner	Profitability, responsible business	Profitability targets and annual dividend, corporate governance report, sustainability report	AGM, dialogue with Chairman of the Board
Customers	Product quality, effective logistics, renewable vehicle fuels, FSC®, Sveaskog's role in the market, professionalism, reliability	FSC® certification, measures delivery precision, develops new fuels, timber traceability, market prices, code of conduct	Customer Satisfaction Index survey, business development discussions
Contractors	Developed co-operation, renewable energy, contract/remuneration issues	Long-term co-operation, co-operation projects, information and evaluations	Contractor Satisfaction Index survey, business development discussions
Timber suppliers	Ability to pay, market prices, renewable energy, quality of felling assignments, information about our services	Good liquidity, market prices, FSC® planning for felling assignments, information activities	Supplier Satisfaction Index survey, FSC® co-operation, forest days
Authorities	Swedish Forestry Act, national environmental objectives	Annual audits, business management system, follow-up of goals and key indicators	Consultations regarding ecoparks and inaugurations, annual meetings
Tourism companies, hunters, anglers, outdoor enthusiasts	Grant land for leases, lease prices, forest and land for outdoor activities	Leases, investments in outdoor areas and ecoparks, roads and signs	Ecopark inaugurations, hunt leader meetings, consultations, business discussions
Nature conservation organisations	Biodiversity, nature conservation	Environmental objectives, FSC® membership, nature conservation strategy	Excursions, co-operation
Lending institutions, lenders	Achieve financial targets, stable financial flows, responsible business, new business opportunities	Report financial targets. Group finance policy. Prioritise long-term business relationships and customers with profitability potential	Company presentations, business discussions
Reindeer herders	Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – co-existence	Formalised consultations, better maps, projects to develop land usage	Consultations about silvicultural measures, co-operation within Swedish FSC®

follow-up of issues. In addition to a number of external participants, themes and key topics are reported. If issues arise which need to be dealt with directly, these are further managed in the environment and quality management system.

Reported dialogues during 2011 include dialogues with authorities and nature conservation organisations, meetings on hunting issues, dialogues with road associations, consultations with reindeer herders, business development discussions and ecoparks inaugurations. Responsibility for reporting on dialogues rests with the person holding the meeting. The target was to have a dialogue with 2,800 people and the result was 4,188 people.

Identification of material topics

As part of application of GRI's guidelines with the aid of a materiality assessment we have identified what are the key issues for us and our stakeholders.

The materiality assessment weighs up the issues which Sveaskog regards as strategically significant and the issues which our stakeholders see as most significant within the framework of our economic, environmental and social responsibility. Our various dialogues are a key source for the materiality assessment. The results from the materiality assessment help us to set better priorities, both in our operations and for determining the content of our sustainability report.

In 2011 we performed an internal review of the materiality assessment where all staffs, processes and subsidiaries prioritised the three key issues within sustainable development within their own area.

The result was that we clarified and merged together a number of closely related areas in order to obtain a clearer prioritisation in our materiality assessment.

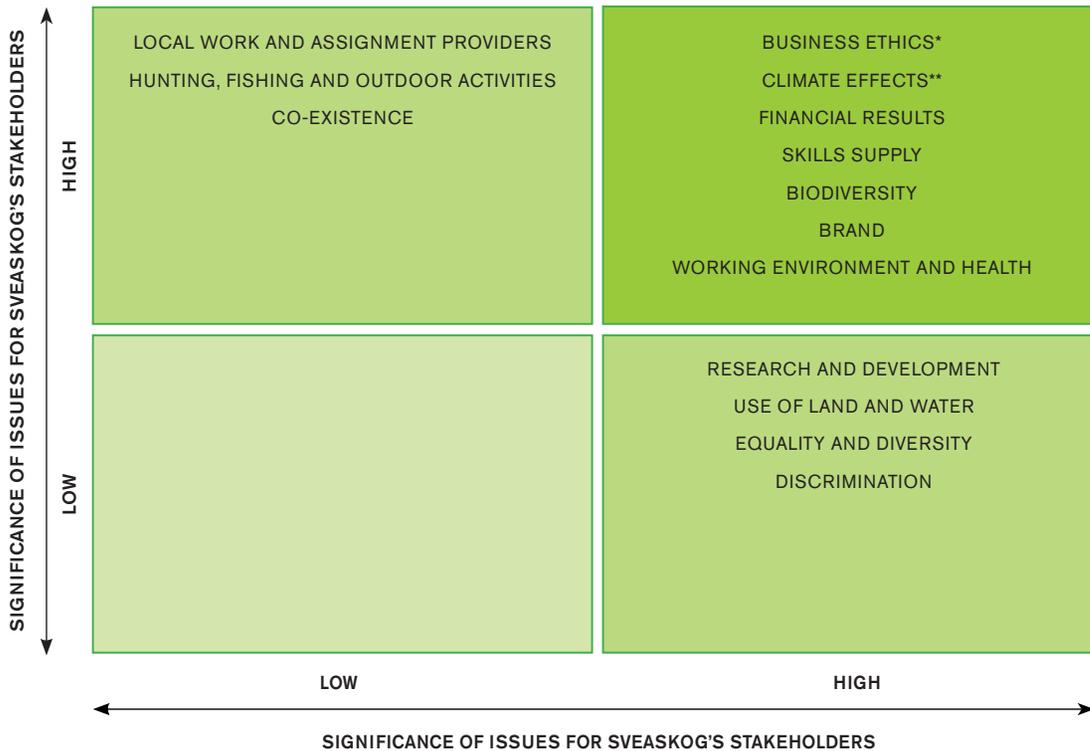
Customer and employee surveys

Every other year we carry out the employee survey "Vi i Sveaskog" (Us at Sveaskog), VIS. The most recent survey was performed in autumn 2011. You can read more about the results under the section Social responsibility – employees.

Customer Satisfaction, Supplier Satisfaction and Contractor Satisfaction surveys are carried out at least every other year and include questions relating to our sustainability work. A brand survey is performed every third year where our customers, suppliers, contractors, the general public, journalists and decision-makers are asked about awareness, knowledge and attitudes to the Sveaskog brand and confidence in the company.

All surveys were performed in 2010 and the results showed that customers, suppliers and contractors expect that within sustainable development Sveaskog will work with issues such as renewable energy, reduced emissions for example through more efficient logistics and issues linked to the working environment and health.

Our materiality assessment is an aggregate of the issues that we at Sveaskog regard as strategically important and the issues that our stakeholders regards as most important



The order of the aspects within each of the four fields has no significance.

* In the review of the materiality assessment Demands on suppliers was moved under the heading Business Ethics.
 ** In the review of the materiality assessment the areas Reduced emissions, Climate benefit of forest and Renewable energy were merged together under the heading Climate effects.

New business in the forest creates values for many

Sveaskog balances the different applications for the forest in a manner that creates value in both the short and long term.

Value for many stakeholders

The values Sveaskog creates are shared among a large number of stakeholders, see table and diagram on the next page. The dividend for 2010 amounted to SEK 916 million*. The proposed dividend for 2011 is SEK 4,473 million. Sales for 2011 totalled SEK 6,724 million (6,951). Operating profit from continuing operations was SEK 1,085 million (1,280).

The value of our forests has developed. The book value of forest assets was SEK 30,009 million (29,985). Net growth on cultivated land was 11.2 million m³fo (11).

Local transactions

Sveaskog has forests throughout Sweden and most of our transactions are local. Sveaskog is an important employer in rural areas and we co-operate with local entrepreneurs, within both forestry and eco-tourism. We have a significant impact on indirect employment. The total number of job opportunities generated by our operations is significantly higher than the number of employees in the company, since they also contribute to job opportunities at contractors, sub-contractors, purchasing power in other areas of business and indirectly with regard to social services. A study from 2008 shows that our operations in Norrbotten which then generated 180 FTEs contributed to more than 2,600 job opportunities in the county.**

Consequences of climate change

Climate change affects Sveaskog's operations. It requires us to make investments which exploit business opportunities for wood raw material from the perspective of long-term sustainability and adapt our operations to minimise the risk of damage to the forest. We also make active efforts to reduce emissions from combustion of fossil fuels in our operations. Read more about our climate strategy on page 16.

Risks of climate change

The risks of changed weather and temperature conditions include a greater number of storms and reduced precipitation which will deplete water supplies. If the vegetation boundaries move we must review how nature conservation and biotope protection can be

adapted. Read more in the risk and sensitivity analysis on pages 76–78 of Sveaskog's Annual Report, in Swedish.

The risks for future storms is managed through our forest insurance contracts. Sveaskog conducts strategic work to improve insurance terms and conditions and adjust the insurance level. The Group purchases insurance in the reinsurance market through Sveaskog Försäkrings AB among others. The Board has decided on a well-balanced risk level and the organisation has trained ahead of future major storms.

Investments in the development of fuel

Sveaskog owns 27.9% of the shares in the biodiesel company SunPine AB in Piteå. Our assessment is that the return on this investment will be good since demand for renewable fuel is considerable. Sveaskog has a member on SunPine AB's board and thereby influences sustainability work at the company.

Sveaskog together with Smurfit Kappa, IVAB (Infjärdens värme AB) and ETC, Energitekniskt centrum i Piteå, is one of the financiers behind Sweden's first pilot plant in Piteå for direct gasification of wood biomass.



One central issue for success with the targets for emission reductions in both Sweden and internationally, is to develop and offer renewable fuel. Sveaskog, together with Preem and Södra, is co-owner of the biodiesel company SunPine. The biodiesel is produced from tall oil which is a residual product from the forest. Today, vehicles can fill up with this diesel at nearly 400 of Preem's filling stations in Sweden.

* The total dividend amounted to SEK 1,739 million, of which SEK 756 million in cash and SEK 983 million corresponding to the consolidated value of Ersättningsmark i Sverige AB.

** Source: Incedo Business Consulting 2008.

How we govern economic impact

Sveaskog's responsibility

Sveaskog's responsibility

Our main economic responsibility is to safeguard the long-term value of the forest. We balance the different uses of forests in a way that creates value in the long term as well as the short term. We also increase the return on forest capital by developing the use of both forest land and wood raw material. Our forest holdings represent significant economic value. The forest is a unique long-term resource. The forests we sow and plant today will not be harvested for 60–120 years. The lands we set aside for this purpose are an important part of our sustainable forestry and have an inherent value in a market characterised by growing environmental awareness. We pursue sustainable forestry, we manage and develop our forest holdings, we contribute returns to the owner, and with our long-term outlook we are a

Targets and performance 2011

trustworthy supplier of wood raw material. We invest in new, environmentally-sound and efficient technologies and we sell land at market prices. As a profitable business, we are able to create job opportunities, especially in rural areas. The CEO has overall responsibility for the fulfilment of our financial objectives. The Group's business plan provides direction for the budget and business plans. Process and staff managers are responsible for their budgets.

Governing documents:

- Finance policy
- Information policy
- Forest policy
- Climate strategy

Prioritised activities 2012

Targets and performance 2011

Financial targets and performance are reported on page 6.

Prioritised activities 2012

- Increased administrative efficiency
- Develop timber business
- Develop biofuel business
- Leases for the establishment of wind farms
- R&D investments, broaden applications for wood raw material.

GRI indicators

- EC1
- EC2
- EC3
- EC4
- EC6
- EC7
- EC8
- EC9

Investments and services which benefit many people

Active promotion of eco-tourism and outdoor activities

Our ambition is to offer more people the opportunity to experience nature. The widely differing character of our lands provides scope for everything from solitary wilderness adventures, hunting and fishing, to commercially organised horse riding, paddling and guided tours. We offer land to tourism companies, which allows them to conduct operations which in turn create new job opportunities. Our outdoor ventures for the general public are mainly related to public areas, and in particular the decision to establish 36 ecoparks. We produce information material, web services, information boards, maintain hiking paths and rest areas. Total investments in outdoor areas and ecoparks amounted to SEK 4.7 million (4.3) in 2011.

Mörrums Kronolaxfiske (Mörrum Salmon Fishing)

Continual development of operations on a commercial basis takes place at Mörrums Kronolaxfiske fishing waters in Blekinge. Total investments in Mörrums Kronolaxfiske amounted to SEK 2.4 million (1.1).

Hjälmare Kanal AB

Sveaskog invests in the development of its subsidiary Hjälmare Kanal AB. Along the canal there are a visitors' centre, nature trails and cycle paths. Through these investments, which are made on a commercial basis, we preserve and develop the canal as a visitor attraction and part of Sweden's cultural heritage. Total investments in Hjälmare Kanal AB amounted to SEK 1.5 million (1.1).

Road maintenance benefits many people

Sveaskog's road maintenance activities are important both for the company and for our stakeholders. Good roads are essential for silvicultural work and felling. They also make it easier for tourism companies, outdoor enthusiasts and hunters to get out into the forests. Furthermore, the roads provide us with revenues when other forest companies use them for their transports. In 2011 Sveaskog laid 280 km (260) of new roads and increased bearing capacity on approximately 790 km (1,200) of roads.* SEK 71 million (136) was invested 2011. Most of these costs are direct depreciation.

* We comply with the Swedish Road Administration's guidelines for what may be classed as an investment.

Direct economic value

Sveaskog generates and distributes value to different stakeholders.

Value per stakeholder is shown below

SEKm	Stakeholder	2011	2010	2009	2008
Value generated					
Revenues	From customers	7,257	7,773	7,044	8,328
Value distributed					
Cost of goods and services	To suppliers and contractors	-5,048	-5,087	-4,505	-5,940
Employee wages and benefits and social security costs	To employees	-578	-523	-540	-500
Net interest expenses	To loan institutions	-246	-234	-283	-481
Tax	To the Swedish state	-220	-321	-385	-197
Dividend to shareholder*	To the Swedish state through Ministry of Finance	-856	-487	-89	-810
Value retained		309	1,121	1,242	400

* Proposed dividend was reported in previous year, but starting in 2010 we report this under dividends paid.

Economic value distributed per stakeholder (SEKm)



- Suppliers, contractors 73%
- Employees 8%
- Lenders 4%
- Swedish state 3%
- Dividend to shareholder 12%

The diagram shows how value is distributed between stakeholders. Source: Sveaskog

Balance between production and environment

Sveaskog has high environmental ambitions. We wish to set a good example in the development of sustainable utilisation of all the natural resources of the forest. The way we manage our forests affects the landscape and biodiversity today and in the future. With our target of 20% of land for nature conservation we achieve a good balance between production and environment.

Nature conservation areas and ecoparks

Nature protection in the form of formally protected areas, such as nature reserves, and landowners' own voluntary set-asides are key parts of sustainable forestry. Our environmental targets include managing 20% of our productive forest land below the montane forest region as nature conservation land. This corresponds to approximately 630,000 hectares. In these nature conservation forests, which comprise 10% of our forest land, we do not conduct any traditional forestry. We leave some forests completely untouched while we manage other forests in order to recover or strengthen natural values.

Our ecoparks comprise approximately 5% of forest land, corresponding to 145,000 hectares. The areas we set aside in nature conservation forests and ecoparks are protected through our voluntary undertakings and in some cases also enjoy statutory protection in the form of an ecoparks agreement or as a reserve.

We also show consideration for nature when felling in our production forests for example by leaving groups of trees, old and dead trees.

Two new ecoparks

We inaugurated two new ecoparks in 2011: Luottäive in Norrbotten and Raslängen in Skåne. This means we have inaugurated 29 of the 36 planned ecoparks. Read more about our ecoparks at www.sveaskog.se

Restoration of natural values

We work with restoration of wetlands in order to safeguard biodiversity. This work is carried out within the project "100 wetlands" which is a co-operation between the Swedish Wetlands Conservation Fund and the Swedish Ornithological Society. We have now restored 100 wetlands and will continue to identify and restore wetlands where we believe this is justified.

In co-operation with WWF we are conducting a project with valuable aquatic landscapes using a tool known as blue target classification.

Through nature conservation-oriented forest management, Sveaskog will increase natural values on 100,000 hectares of land by 2030. This will involve extensive restoration work such as felling in growth spruce in deciduous forests. Nature conservation-focused silviculture was carried out on a total of 2,000 hectares in 2011.

Biodiversity

All forestry measures, transports and other activities related to forestry can affect biodiversity.

Felling changes the landscape and can harm biodiversity. Sveaskog's nature conservation ambitions include exemptions for sensitive biotopes and other forests with high natural values. When felling we exercise consideration for nature by leaving sensitive biotopes, edge zones, tree groups and individual trees untouched.

Cleaning can change light conditions by streams, for example, and therefore affect the micro climate. Soil scarification and planting change species composition, which also results from ditch maintenance.

Planning of ditch maintenance includes a special nature conservation assessment when we also review opportunities to restore habitats by filling in some ditch sections.

Forest roads can affect biodiversity by culverts which obstruct migration of fish and disturb other aquatic species. Our planning is based on natural conditions and takes such impact into account.

Follow up of reported non-conformances

Our guidelines and instructions are developed continuously in order to ensure that we meet as far as possible our different undertakings and certifications. Conformance is examined among other things by external and internal audits, external opinions and random samples of the self assessments that are obligatory after each measure has been carried out. All reports of deficiencies are registered in our environmental and quality management system and result in remedial and/or preventive measures. External views and proposed improvements are also registered.



The Pigmy Owl, a skilled little hunter, lives in the Färna Ecopark.

Deficiencies reported relate for example to demarcation, the quality of thinning, hauling damage, inadequate planning which was compensated by a machine team, inadequate planning which was corrected before the measure was implemented, inadequate management of sensitive biotopes, felled natural value trees, cultural environments/ancient monuments, stump height, thinned areas and too few high stumps.

External audits 2011

The certification company Bureau Veritas performed the annual external audits for FSC® and ISO 14001.

Many positive assessments resulted from these audits, among other things for our new nature conservation database, our working methods and the review that has been carried out of all documentation with regular updates and approval.

The audit of the FSC® certificate generated six minor non-conformances. These related to the decision procedure for an R&D trial in a sensitive biotope in the Ätnarova research park, stumping which resulted in damage to a stone circle in Tranemo, a poor working climate due to sexual harassment at one office, the lack of systematic working environment work at a contractor, foreign planters who lacked map material and alarm co-ordinates, one major hauling damage and a lack of consideration for dead wood.

The ISO 14001 audit generated a number of non-conformances. These included a lack of consideration for natural and cultural values within soil scarification and that some processes lacked their own environmental targets, the absence of a comprehensive system for environmental training within the company with regard to content, scope and timetables, that contractors' environmental work needs to be evaluated earlier in the procurement process, that changes in an

instruction were not communicated to the employees concerned, and the absence of completed introduction training for some new employees.

The audit for the FSC® and PEFC resulted in two minor non-conformances. One related to inadequacies in training of own employees and one to inadequacies in control of valid certificates.

The annual audit of the FSC® and PEFC group certificate for Sveaskog's timber suppliers resulted in several minor non-conformances, primarily related to new requirements for large forest owners, supplier requirements on contractors, social consultations and various types of documentation requirements.

No non-conformances during the year resulted in fines.

Historical ecological debts

On our lands there are contaminated areas after earlier forest industry operations, mining operations and various leases. Sveaskog has an environmental responsibility for some of these areas.

Svenska Skogsplantor has a number of nurseries with a serious contamination situation due to historical use of pesticides. Some of these are in need of environmental measures.

During 2011 an environmental technical survey was performed at Deje nursery in the municipality of Forshaga. In addition, surveys were continued of the contamination situation at Larslunds nursery in Nyköping municipality. Work on prevention of the spread of pollutants to a water catchment in the municipality of Umeå is underway at Piparböle nursery. Svenska Skogsplantor's work with contaminated areas is taking place in accordance with the company's strategy which is that nurseries where there is a potential environmental risk and decommissioned nurseries that are of interest for other applications are given priority for further examination.

How we govern environmental efforts

Sveaskog's responsibility

Sveaskog's responsibility

Our work is based on the environmental policy and the environmental targets. We work with environmental management in accordance with ISO 14001. The environmental policy covers most of the environmental aspects that are relevant to the business and our stakeholders. The CEO has overall responsibility for environmental aspects. Operational responsibility falls to managers in the line organisation. Responsibility for ensuring that employees and contractors have the relevant environmental training is shared by managers and the environment department.

Our forest is FSC® certified. When we harvest the land of other forest owners, the guidelines for nature conservation apply in accordance with the FSC® standard. Timber management is certified in accordance with the FSC® traceability standard, Chain of Custody, which also includes FSC® Controlled Wood (with traceability for non-certified raw materials). We also have a certificate of traceability under the PEFC standard. As such, we have procedures for tracing the origin of all timber. We are working towards ensuring that all imports are from suppliers with their own traceability certification. Sveaskog has AEOF certification (certificate for customs simplification/security and protection) which applies at all customs within the EU.

The guidelines for timber purchases require, among other things, that all purchased timber has been harvested in accordance with applicable laws

Targets and performance 2011

and in compliance with Sveaskog's environmental demands. We prefer to purchase timber from FSC® certified forests.

We have guidelines for nature conservation in conjunction with leases for wind power and land sales. We specify environmental requirements and require environmental plans when leasing land for eco-tourism. The plans includes nature consideration, environment, noise, waste collection and transports. Companies with commercial operations that lease waters from Sveaskog are required to draw up a fish management.

The Group's business plan provides direction for the budget and business plans.

Governing documents:

- Finance policy
- Environmental policy
- Code of conduct
- Climate strategy
- Nature conservation strategy
- FSC® forestry standard
- FSC® traceability standard
- PEFC traceability standard
- Forest policy
- Guidelines for silviculture and considerations when purchasing timber
- Guidelines for the purchase of timber from outside Sweden
- CSR requirements for contractors and suppliers

Prioritised activities 2012

- Environmental requirements for leaseholders
- Guidelines for business travel

Targets and performance 2011

Environmental targets and performance are shown on page 7.

Prioritised activities in 2012

- Measures to reduce carbon dioxide emissions
- Measures to continue limitation of hauling damage
- Development of ecosystem services
- Inventory and remedy quality shortcomings
- Audits

GRI indicators

- EN3
- EN4
- EN11
- EN12
- EN13
- EN14
- EN16
- EN17
- EN18
- EN20
- EN30

Certificates

- ISO 14001
- FSC® forestry certificate own forest
- FSC® forestry certificate group
- FSC® traceability certificate
- PEFC traceability certificate
- PEFC forestry certificate group
- AEOF customs simplification/security and protection

About FSC® pure and FSC® mixed

The raw material we sell may not come from controversial sources and we work with traceability certificates. This means that there is information about where the timber comes from. Forest products are divided into two categories: FSC® pure which means that all wood raw material in the product comes from FSC®-certified forests and FSC® mixed which means that most of the product's wood raw material comes from FSC®-certified forests and the rest of the raw material comes from controlled sources, controlled wood. FSC® Controlled Wood is non-certified wood raw material that is mixed with FSC®-certified raw material in FSC® mixed products. The Controlled wood stamp provides assurance that the non-certified timber for example is not illegally felled and does not come from controversial sources.

Share of products* with FSC® origin

Origin	FSC® pure, %	FSC® Controlled Wood, %	FSC® mixed, %
Timber from own forests	100 (100)	–	–
Timber from central purchases, excl. PEFC	33 (26)	67 (60)	– (14)
Timber from own certified terminals		45 (–)	55 (100)
Timber from field purchases in Sweden	15 (13)	85 (87)	–
Imported timber with traceability certificate	– (17)	100 (83)	–

* Excl. recycled wood, for example for use as biofuel.

Source: Sveaskog and SDC 2011.



Restoration and protection to conserve natural values

Restoration

Definition	Status 31 Dec 2011	Size	Third party measurement	Co-operation
Restoration of wetlands	Target with 100 restored wetlands has been met	–	–	Swedish Wetlands Fund, Swedish Ornithological Society

Protected areas

Definition	Status 31 Dec 2011	Size	Third party measurement	Co-operation
36 ecoparks	29 (27) ecoparks have been inaugurated out of 36 planned. Silvicultural agreement with the Swedish Forest Agency in place for 24 (23) of these ecoparks	145,000 ha*	Swedish Forest Agency, County Administrative Board	Silvicultural agreement with Swedish Forest Agency
Nature conservation forests	Protected and reported at sveaskog.se. Status for silviculture carried out in 2011 is approximately 2,000 hectares	300,000 ha	County Administrative Board (nature reserve)	Swedish Society for Nature Conservation (deciduous forests), WWF (Effect 20)
Nature consideration when felling	Control self assessments	241,000 ha	Swedish Forest Agency follow-up FSC® audit	WWF (Effect 20)

* Previously 175,000 hectares specified, which includes nature conservation forests in montane forests. Of the total area just over half is nature conservation forests. More information about our forest holdings and protected areas is available in the map tool at www.sveaskog.se

Sveaskog's climate initiatives and carbon footprint

Sveaskog's target is to reduce emissions by at least 30% by 2015 compared with 2008. We make active efforts to reduce emissions from our operations. The forest binds carbon dioxide which means that the overall climate effect is positive.

The importance of the forest as a carbon sink

The growing forest and use of wood play a significant role in counteracting climate change. When renewable wood raw material is used it often replaces finite and fossil resources, for example in building materials, packaging and energy. Research and development means that a growing number of products are based on wood raw material. This applies for example to car interiors, clothes, medicines and food.

The growing forest binds carbon dioxide through photosynthesis. In this process carbohydrates are formed with the aid of carbon dioxide, water and sunlight. When the forest binds carbon dioxide it functions as a carbon sink. The forest can be a carbon sink to a varying extent during its life cycle, during different times of day and depending on where in the country the forest is growing. But taken overall, the forest's ability to sequester carbon dioxide is positive for the climate.

Increased growth in the forest provides greatest climate benefit

Our climate strategy is based on our ability to do several things simultaneously which help to counteract climate change.

By managing the forest using the same sustainable methods as today, but doing more, we aim to increase growth in the forest. As a result, the forest will bind more carbon dioxide and we will produce more renewable wood raw material. We also try to adapt our forestry

for undesirable future climate effects such as storms and warmer weather.

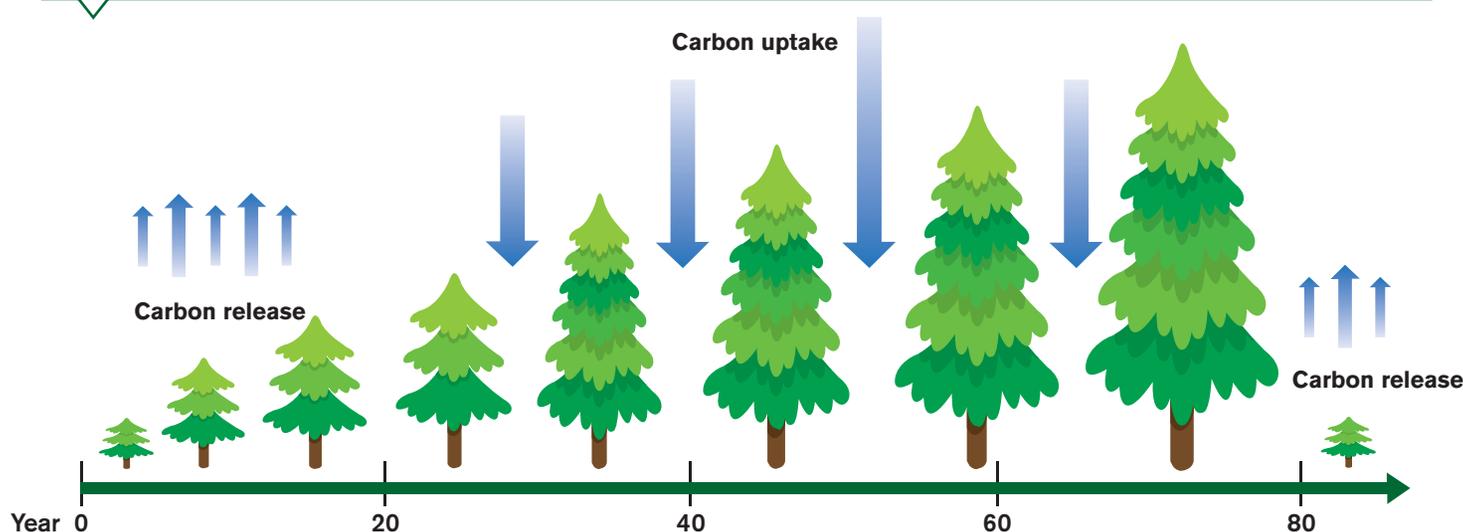
We contribute to society's changeover to renewable energy systems, primarily by developing utilisation of forest-based biofuel and by contributing to the development of forest-based fuel and wind power. For biofuels we focus on knowledge build-up, development of modern technology and effective logistics which make it financially attractive to extract products from the forest that were not utilised before.

Climate impact and emissions

Our target is to reduce our own emissions by at least 30% by 2015 compared with 2008. We are working with an action plan primarily within logistics and the felling process, where we have our largest emissions, in order to reach our target level.

Sveaskog's carbon footprint in 2011 is 133,000 tonnes of carbon dioxide (145,000). The lower emissions are mainly due to lower sales volumes, which reduced our timber transports and therefore emissions by about 10,000 tonnes. The rest of the emissions reduction mainly derived from electricity consumption (changeover to eco-friendly electricity) and heating at the nursery in Älmfors using a biofuel boiler instead of a oil-fired boiler, which lead to a decrease in emissions by one-third compared with 2010 (2,000 tonnes). A new biofuel boiler will go into operation at the nursery in Kilåmon in 2012.

The forest and its climate potential



Swedish forests bind carbon dioxide

Forests bind most carbon dioxide when growth is at its greatest, i.e. when the forest is young to middle-aged. One cubic metre of forest binds an average of over one tonne of carbon dioxide per year. Since the Swedish forest grows by a total of 110 million cubic metres per year, this means that it can sequester up to

140 million tonnes of carbon dioxide. Cultivated Swedish forests make a net contribution, including the products made from wood raw material, to reducing the amount of carbon dioxide in the atmosphere by 60 million tonnes per year. This corresponds to Sweden's total carbon dioxide emissions from fossil sources.

Of our emissions, timber transports accounted for 55%, felling and silvicultural activities for 34%, road building 6%, heating 3% and business travel 2%. Business travel data includes emissions from company cars, travel by air, by train and hire cars. Taken overall, our climate impact was positive since the forest takes up and sequesters carbon dioxide.

How we work – our investments and activities

Our assessment is that emissions and therefore climate impact can be reduced by 10% in a few years through improved transport planning, more effective timber exchanges, developed rail transport and timber vehicles and training in effective and fuel-efficient driving of lorries.

One key for achieving the target for reduced emissions is to increase the use of renewable fuel. During the year we started a trial using 100% rape methyl ester (RME) as a fuel in a number of our forest machines. The results of this trial were positive and the aim is to increase use of RME in 2012. In order to contribute to the development of forest-based fuel, Sveaskog has among other things contributed to the establishment of SunPine.

Skellefteå Kraft is the Group's supplier of electrical energy and they deliver only environmentally friendly electricity produced by wind

and/or hydropower. The Sveaskog Group's total consumption amounts to 10 GWh/year.

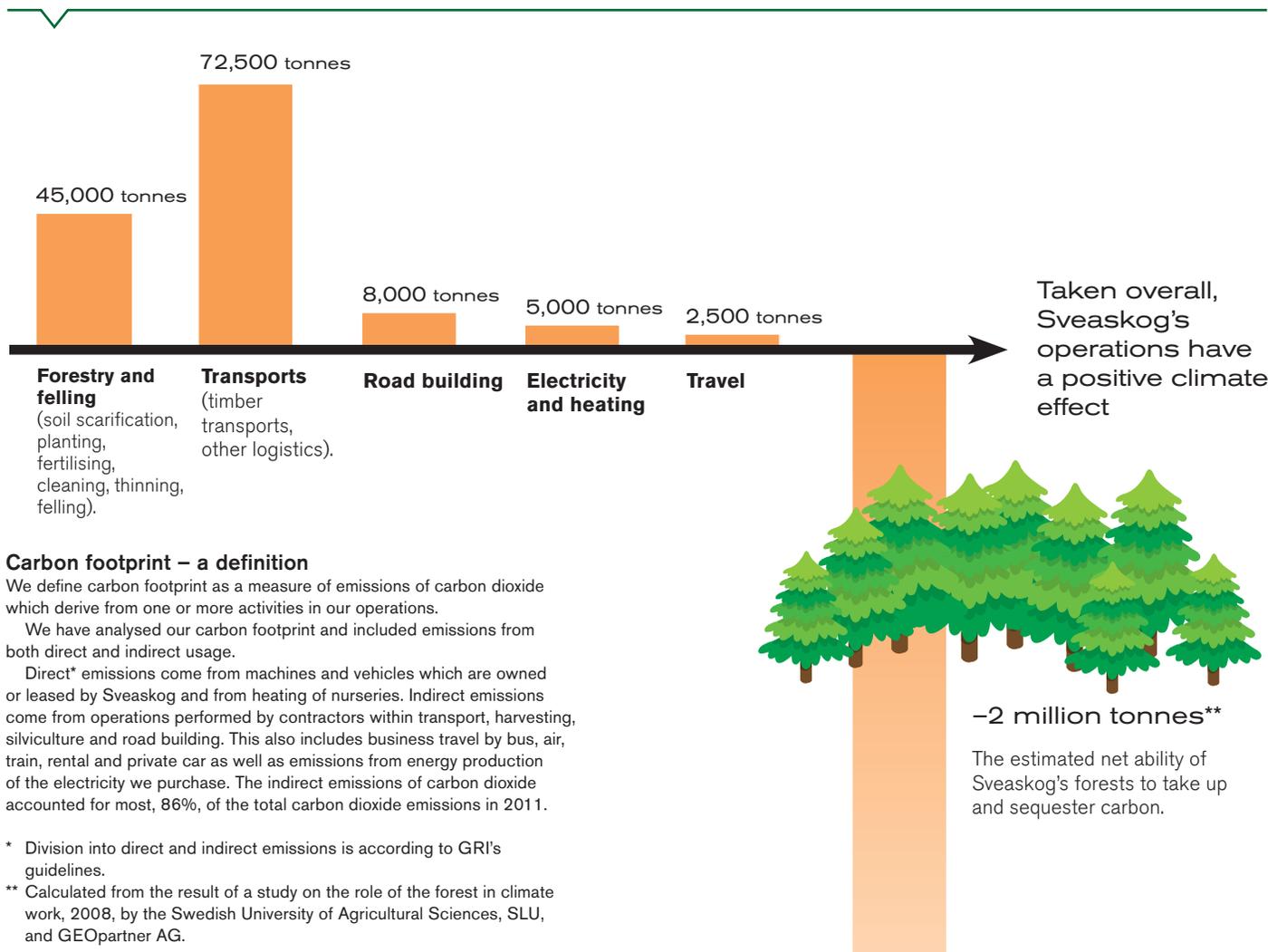
We are working to reduce our own travel by using video and telephone conferences. 257 (253) video conferences took place in 2011. During the year we started to use Lync, which enables chat, audio and video conferences as well as virtual meeting rooms where documents and programmes can be shared between users.

All Sveaskog's offices took part in the World Wide Fund for Nature's (WWF) Earth Hour climate manifestation which involves everyone turning out the lights for one specific hour on one day.

Facts: Climate strategy in brief

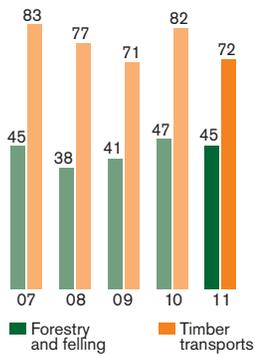
- Increased forest growth within framework of sustainable forestry
- Increased carbon dioxide sequestration through increased forest growth
- Preparedness for climate change by making adjustments in forest management
- Doubling of biofuel deliveries to 4 TWh
- Expansion of wind power to 4–5 TWh on Sveaskog's land within ten years.
- Reduced own emissions of carbon dioxide from fossil fuels by at least 30% by 2015 compared with 2008.

Analysis of our carbon footprint (all figures in tonnes carbon dioxide/year)



Environmental data

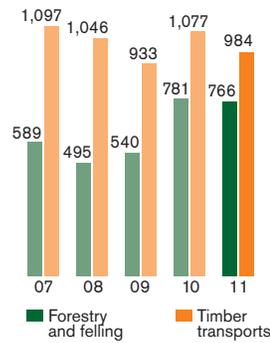
Largest fossil CO₂ emissions (thousand tonnes) Sveaskog



Total emissions of carbon dioxide from Sveaskog in 2011 amounted to 133,000 tonnes. Timber transports accounted for most of emissions, 55%.

Source: Analysis by Skogforsk and Sveaskog 2012.

Use of non-renewable fuels (TJ)



Environmental facts

	2011	2010	2009	2008	2007
Production					
All deliveries, 1,000 m ³ sub	10,605	11,268	10,834	12,451	13,610
Deliveries from own forests, 1,000 m ³ sub	5,704	5,694	5,629	5,496	5,902
Biofuel deliveries, 1,000 m ³ sub	1,498	1,461	1,339	946	872
Biofuel deliveries, TWh	3.0*	2.9*	2.7*	1.9*	1.7*
Energy consumption					
Non-renewable fuels, TJ	1,750	1,895	1,602	1,559**	1,686**
Indirect energy consumption, MWh	10,143	10,551	14,472	-	-
Emissions to air					
Fossil CO ₂ , ktonnes	133	145	123	115**	128**
Of which direct emissions, ktonnes	18.5	20	19	-	-
Of which indirect emissions, ktonnes	114.5	125	104	-	-
NO _x , tonnes	1,541	1,677	1,339	1,404**	1,616**
SO _x , tonnes	217	334	-	-	-
Land					
Total land area, million ha	4.1	4.2	4.3	4.3	4.4
Of which productive forest land, million ha	3.1	3.3	3.3	3.3	3.3
Proportion of unfelled total growth, % ***	44	44	41	45	39

* 2.0 is used as the conversion factor between volume in m³sub and energy content in MWh.

** Relates solely to forestry, felling and timber transports.

*** Includes uncultivated forests.

Timber deliveries by rail are a climate-smart choice. Increased and extended rail transport enables business to be conducted in a larger geographical area with more potential customers in Sweden and the rest of Europe.



Sveaskog plays a key role in society

Sveaskog has a key role as an employer and our aim is to contribute to development in the regions in which we operate.

Our forest lands are located throughout Sweden and we conduct operations locally. One prerequisite for earning sufficient trust to conduct business and opportunities to develop our operations is to always act as a long-term and reliable partner, employer and member of society. Other businesses must be able to operate in the forest and we create conditions for active outdoor pursuits. By conducting operations that are profitable over time we create employment, even in rural areas where the need for jobs is high. For example, we have established our payroll and purchasing departments in Kalix.

Our code of conduct

Sveaskog's code of conduct dictates how Sveaskog must act as a business partner, employer and member of society and is attached when business contracts and co-operation agreements are signed. Sveaskog's employees must be aware of and act in compliance with the code of conduct. We have routines which describe managers' responsibility to go through the code of conduct in conjunction with new recruitment and the annual performance review. The code of conduct is available to all Sveaskog's employees both on the intranet and the website. At the end of 2011, an e-learning course was completed for all employees on the subject of the code of conduct. During 2011 approximately 17% of employees were made aware of Sveaskog's anti-corruption guidelines and approach to human

rights through training in the code.

The code of conduct is translated into English, Russian, Polish and Latvian. We have a whistleblower function on our intranet and external website. When reports are not anonymous, there is feedback to the person making the report. A council comprising the heads of Legal Affairs, Communications, HR, and Environment and Social Responsibility, handles reported violations and decides on action in consultation with the CEO and relevant managers.

Three (three) notifications of violations of the code were received in 2011. Two were internal. One concerned co-operation difficulties and an enquiry is underway. The other was about sexual harassment and is described on page 24. The external notification related to Sveaskog's relations with a contractor. This matter has been examined internally through interviews with the people concerned and we did not find the accusations justified.

Contractors and suppliers

Co-operation with local contractors and suppliers is important for the development of Sveaskog's operations. Our business creates job opportunities both for our teams and for contractors within felling, silviculture and road building. In 2011 we hired 700 contractor companies within areas such as planning, felling, roads, silviculture and planting.

How we govern impact on the community



Sveaskog's forest lands are located throughout Sweden and co-operation with local contractors is important to us.



To ensure that contractors are professional and competent, we use a checklist in the procurement process which includes requirements on contractors to be responsible for skills development of their employees, working environment and machinery and well as operations being conducted according to applicable laws and agreements.

During the year we held a training course in supplier assessment for our employees who work with procurement. The intention is to be able to make even better economic and social assessments when procuring contractor services.

We carry out checks of our contractors in internal audits, both in the field and through follow-up of checklists. Non-conformances are handled in our environmental and quality management system. During the year one non-conformance led to termination of the contract with a contractor.

The Supplier Satisfaction Index and business development reviews are key tools in our co-operation with contractors.

Purchasing guidelines and CSR requirements

We have guidelines for purchasing and an instruction with CSR requirements which are linked to the Global Compact's principles on human rights. The CSR requirements apply in general to all our suppliers, but specifically to those where Sveaskog does not make other, more detailed requirements. In these cases it is the detailed requirements (such a checklists for contractors) which apply.

In conjunction with new procurements or renegotiations of agreements we work to get our framework agreement suppliers to sign our CSR requirements. This means that the Global Compact's principles also apply to the supplier's operations. In 2011 all new or renegotiated framework agreement suppliers signed our CSR requirements which means that 50 out of 59, or 85%, of our

framework agreement suppliers have signed the requirements. During 2011 we started to work systematically with supplier follow-up. A follow-up review with a site visit was made during the year. These follow-ups are designed to find out where our suppliers are in terms of CSR and how they work with these issues.

Sponsoring and co-operation

We give priority to sponsorship undertakings that benefit the company's image, business and the communities in which we operate. We co-operate with the Swedish Orienteering Federation (SOFT) in order to increase knowledge of and interest in the forest. The school and youth project the Forest Adventure has been an important part of this venture which has so far contributed to approximately 100,000 children learning about the life cycle of the forest, nature conservation and legal right of access. The co-operation between Sveaskog and SOFT also extends to the national orienteering team, O-Ringen (a five-day competition) and Naturpasset (local forest orienteering maps) which are intended to persuade more people to explore forests and land with a map and a compass.

Sveaskog and the Swedish Biathlon have a co-operation agreement intended to help more people in Sweden to take up biathlon. In addition we have limited sponsoring of local associations and activities. We support the Forest in School initiative both financially and with activities.

We have a long-term co-operation with the World Wide Fund for Nature (WWF) with a focus on four projects: Living Forest Waters, Responsible production and trade with forest products, Sustainable Landscapes and Effect 20 which got its name from our target that 20% of forest land will be set aside for nature protection and consideration. Read more about our co-operation with WWF at www.sveaskog.se

Compliance with the Global Compact principles for human rights and working conditions

Sveaskog has supported the UN Global Compact initiative since 2005 and is working to substantiate how the principles are implemented in our business. Each year, we submit our "Communication on Progress" (COP) report to Global Compact, presenting the GRI indicators associated with the principles.

Suppliers' implementation of human rights

Sveaskog strives to exert a positive influence on the industry by setting requirements for its supply chain. Our code of conduct, general CSR requirements (which are linked to Global Compact) and detailed requirements for contractors and leaseholders govern our assessments. Information about any deviations is reported in our environmental and quality management systems. (HR2)

Corruption risks

We work with internal control, our code of conduct, guidelines and requirements for business partners and the opportunity to report violations anonymously. Our subsidiary in Latvia, Sveaskog Baltfor SIA, has 28 employees and sales are one per cent of the Group's. The company purchases timber in Russia and the Baltic countries which entails risks related to corruption. Training in the code of conduct has been provided to all employees. Sveaskog has a port terminal in Russia for the import of biofuel. These operations may have a negative impact through the risk of corruption in Russia. (HR1). Random checks were performed at a supplier in 2011. In order to minimize uncertainty factors, a new business method was introduced during the year. (SO2)

Discrimination

See page 24. (HR4)

Freedom of association and right to collective bargaining

Within Sveaskog Baltfor SIA, Sveaskog's subsidiary in Latvia, there are no obstacles to joining a trade union. Nor are there any obstacles to collective bargaining agreements, although none are in place. With our CSR requirements, suppliers are also covered by this. (HR5)

Child labour

Sveaskog has employees aged 15–18 years for planting work in Sweden. The Swedish Work Environment Authority's statute on the work of minors regulates the work minors are allowed to perform. Managers responsible for the working environment and trade union representatives responsible for occupational safety monitor compliance with laws and statutes. Otherwise, there is no risk of child labour in Sveaskog's operations and in this matter the CSR requirements also apply to our suppliers. Sveaskog Baltfor SIA has no employees under 18 years of age. (HR6)

Forced and compulsory labour

The risk of forced and compulsory labour in Sveaskog's operations is low because operations are mainly pursued in Sweden and fall under Swedish labour laws. With our CSR requirements, suppliers are also covered by this. (HR7)

Rights of indigenous peoples

The Sami have interests in Sveaskog's lands. Parts of the company's lands are reindeer grazing lands. The lichen, which is important for winter grazing, can, among other flora, be affected by forestry. Sveaskog recognises the right of reindeer herders to graze their animals.



Laws and regulations govern consultation with reindeer herders and are applied throughout the entire reindeer herding zone. Sveaskog follows the FSC®'s principles with specific commitments concerning relationships with local communities and regularly consults with the Sami villages affected by forestry operations. As far as possible, we are working to find solutions that satisfy both parties' demands for land use and we co-operate with the National Union of the Swedish Sami People (SSR). Incidents are reported either in the environmental and quality management system or as a violation of Sveaskog's code of conduct.

Number of consultations with reindeer industry representatives

Year	Number	Time in working days
2011	54*	220
2010	63*	210
2009	35*	200
2008	35*	200
2007	100	400
2006	100	380

* Consultations with recorded minutes undertaken in the field/offices. Previously meetings where no minutes were kept were also counted.

Co-operation 2011



Co-operation with contractors*

Number	2011	2010
Forestry and planting	274	209
Felling and planning	209	163
Roadwork	217	258
Total	700	630

* Contractor teams with annual invoices of SEK >50,000.

Employee development a factor for success

Skills supply issues are a key area for our long-term competitiveness as a supplier, business partner and employer. Sveaskog's geographically widespread operations place high demands on a clear, motivating and communicative leadership. Our employees have considerable responsibility and working duties that require initiative, co-operation and a feeling of responsibility.

Employee survey

We conduct our employee survey, "Vi i Sveaskog" (Us at Sveaskog, VIS) every other year. The results for 2011 showed improvements within many areas, including job satisfaction, working situation and development, clarity and information as well as follow-up of VIS results. More people are also proud to work at Sveaskog and would recommend others to apply for a job with us.

Leadership received a higher grade compared with 2009 with regard to both operational management and relationships.

Some areas for improvement include internal co-operation and customer orientation. The response rate was high, 85%. During 2012 every workplace will work with improvement measures on the basis of an action plan.

Performance reviews

Well-conducted performance reviews provide a good base for participation and are often essential for a manager to become aware of an employee's training requirements and ambitions for further development. Sveaskog's objective is that all permanent employees should have a performance review with their manager every year. In this year's employee survey, 96% said that they had had a performance review of whom 79% were very satisfied with the quality of the discussion.

In conjunction with the performance review managers report wishes for further development outside their own position, skills development needs which they believe should be co-ordinated and

whether there are any risks within skills supply, linked to key people or retirements, for example All managers are offered training in performance reviews and guidelines and a checklist are available as support for such reviews.

Co-operation with trade unions

Dialogue with our employee organisations is important. In the Group, 698 out of a total of 726 employees are covered by a collective agreement (96%).

Sveaskog has cross-union information groups, known as reference groups. The reference groups have consultations between employee organisations and group management which include information about changes in operations.

Leadership

Sveaskog's managers have a clear responsibility for the code of conduct, target follow-up and development of subordinate employees. In order to clarify leadership and obtain better tools for management and follow-up we have decided that "Good leadership" is one of our social targets. This is measured every other year in the employee survey and compiled in an index. The 2011 index was 72 (70), which represents an improvement over the previous survey and is high compared with many other companies. Areas for improvement which have been identified, among other things in the employee survey, provide the basis for planning of leadership development activities, such as seminars and coaching. Managers with lower results are

How we govern employment issues



offered support and development. In some cases this has resulted in them leaving their managerial role and taking up new working duties. During the year our managers took part in a conflict management training programme and a course in labour law.

A number of our senior managers take part in various individual development activities within strategic leadership, such as an MBA study programme (Master of Business Administration).

Skills development

Our employees must possess the right skills for their working duties. They will be given resources and opportunities for skills development as well as influence on their own and the company's development. We seek leading-edge expertise within strategic areas and a good balance in the composition of the workforce. Internal mobility is important for an increased exchange of skills. We can retain skilled employees and be strengthened as an employer to a greater extent.

Activities during the year

Employees attended training courses within environment, culture and nature conservation, IT training such as GISS (Geographic information system in Sveaskog) and digital final reports, basic FSC® training, training in supplier assessment, machine training, heart and lung rescue, stress management, media training courses and training in our code of conduct. One annual component is internal forest training for employees without a forest background.

Sveaskog uses interactive web-based training on the theme of silviculture and cloven-hoofed game for skills development of its own employees, contractors and hunting teams.

The number of training hours per employee and year averages 47 hours for salaried employees and 39 hours for wage-earners, which corresponds to just over 5 (5) days per employee.

Future leaders and specialists

In 2011, Sveaskog started an internal development programme for future leaders and specialists. The purpose is to ensure a future supply of leaders in the company. The programme stretches over one year and includes culture and leadership philosophy at Sveaskog, economic understanding, negotiating skills and communication. The target group is young employees who currently work as specialists or are relatively new managers.

Recruitment

Recruitment of employees is an important and long-term investment. Everyone employed at Sveaskog is recruited and introduced carefully. In order to prevent discrimination we have special guidelines for recruitment.

In 2011 our employee turnover was 6.6% (6.9). We work to encourage internal mobility and advertise vacant positions internally in the first instance. 50% of our vacant positions during the year were filled with internal applicants.

Local introduction at the workplace in consultation with the recruiting manager is important. Clear guidelines in the form of checklists are available to facilitate introduction of new employees. In autumn 2011 we held a central introduction day for new employees. New employees were given an opportunity to meet the CEO and other managers within the company.

Measures to attract new employees

The average age within Sveaskog is high: 48, and among machine operations it is even higher, 51. The average age of women

employees is 43 (43) and 49 (49) for men. The average age for newly recruited people was 38 (38).

In order to cope with the intensifying competition for labour, primarily from the mining industry in the north, and with impending retirements we work actively to achieve a long-term broadening of the recruitment base through industry-wide co-operation and other activities.

Diversity and equality

Diversity strengthens our competitiveness. Traditionally the forest industry is homogenous, with mainly male employees. Few employees are women or people from immigrant backgrounds.

The average number of women at Sveaskog was 20% (19) in 2011.

On the Board, six out of nine members (67%) were women and 33% of group management were women. The proportion of female managers at year-end was 23% (25).

We seek an even gender distribution within all parts of the company. Our aim is that the proportion of women who work with forestry duties and the proportion of female managers will increase. In recruitment advertisements we clearly state our ambitions for ethnic diversity and an even gender distribution. When recruiting for forestry positions we provide a contact from the women's forestry network. In interviews with external job applicants, Sveaskog is represented by both sexes.

Women's forestry network

Within forestry processes (excluding subsidiaries) the proportion of permanently employed women is only 9%. Sveaskog has had a women's forestry network for several years. Over 30 women took part in the 2011 meeting. The aim of the network is to increase the proportion of women engaged in forestry in the company. The network functions among other things as a reference group and contributes to the exchange of experiences and the build-up of contacts.

Employment and parenthood

We try to ensure that contacts between the employee on parental leave and the company is maintained as far as possible during the leave period. Ahead of parental leave we have a dialogue about each employee's needs and wishes, among other things as regards performance reviews, training and meeting. In order to make things easier for the parents of small children we wish to reduce the number of business trips and encourage distance meetings.

In order to emphasise that there is an acceptance and understanding for leave of absence linked to children, and to encourage men to take out parental leave to a greater extent than they do today, under certain circumstances Sveaskog pays a parent salary in addition to that stipulated in collective agreements.

Working environment and health

A good working environment is a key competitive tool and a strategic issue for Sveaskog. The working environment must be safe and stimulating and characterised by respect for and confidence in employees. Managers with personnel responsibility and safety representatives are offered annual Sveaskog-adapted training in working environment aspects.

We have a formalised and active working environment organisation which bases its activities on the Swedish Work Environment Act as well as central and local collective agreements. We follow up this



Healthy employees are important. Sveaskog encourages its employees to take part in various races. In 2011, the European Foresters' Competition in Nordic Skiing was arranged in Östersund and Sveaskog was one of the principal organisers. About 100 participants from some 20 countries took part. About 30 Sveaskog employees took part in the competition.

work in local safety committees and within each market area, where all managers with personnel responsibility and safety representatives take part and in a central safety committee where Sveaskog's management and all senior safety representatives take part.

As a complement to working environmental legislation and central working environment agreements, the parties within Sveaskog have drafted a local working environment agreement. The agreement clarifies the forms of co-operation we have to promote a good working environment.

Work-related injuries and accidents

Sveaskog reports work-related injuries, i.e. the number of notified work-related injuries that on the reporting date are expected to result in sickness absence. In 2011 we had 6.0* (8.3) work-related injuries per 1,000 FTEs. In order to register work-related injuries we used the

* When recalculated according to GRI's guidelines the number of work-related injuries was 7.2 (7.3) for 2011.

forest industry's system, SKIA. By using SKIA we can compare ourselves with others in the industry. The work of implementing application throughout the Group is underway.

The most common work-related injuries occur in conjunction with moving on foot over terrain through slipping or sprains. Other common accidents take place in conjunction with work with forest machines during service and climbing on and off.

Sickness absence and stress

Total sickness absence is 2% (2.4). Employees being put on the sick-list due to stress does occur. Every manager is therefore tasked with taking stress-preventing measures where this is required according to VIS results. Examples of activities we offered during the year are individual coaching and lectures about stress where participants were given advice on various tools for managing their situation.

Exercise subsidies and company health service

We want to have healthy and motivated employees with a low sickness absence. In order to promote employees' health we offer an exercise subsidy.

All employees have access to the company health service and are offered regular health check-ups. The company health service is an important partner for Sveaskog in its efforts to adjust working duties and provide rehabilitation.

Discrimination

Sveaskog's code of conduct, guidelines for combating offensive discrimination and plan for equality and diversity make our attitude to discrimination clear. We wish to show each other respect and discrimination may not take place at our workplaces. Employees are obliged to comply with the code of conduct and managers are responsible for compliance with the code in daily work. Employees or stakeholders who are of the opinion that Sveaskog has violated the

code of conduct can notify this, for example using a web form on the intranet or the website. One case of sexual harassment was notified in 2011. A careful review of the event has been performed and various measures taken. For example the company health service and external consultants were involved as support for coaching activities. Furthermore, group management has decided on new guidelines against offensive discrimination. Read more on page 18 about other notifications related to the code of conduct.

In the employee survey we ask whether the employee has been exposed to bullying, sexual harassment or negative discrimination by an employer due to gender. In total, the proportion of employees who consider they have been exposed to any form of offensive discrimination over the past year is at roughly the same level as in 2009. Managers have been tasked with discussing this issue with their employees when they present the results of the survey. We regularly train new managers in their responsibility in the event of offensive discrimination.

Sveaskog's employees

Relates to the entire Sveaskog Group unless otherwise specified. All employees included in the data have employment contracts with the Group. Since the number of contractors hired during the year varies, these are not included.

Employees (number at year-end)

	2011	2010	2009	2008	2007
Number of wage-earners	314	320	328	337	360
Number of salaried employees	412	400	393	404	366
Number of part-time employees	9/726	8/720	7/721	8/741	-
Number of full-time, temporary employees	717/726	712/720	714/721	733/741	-
Number of HR managers	102	99	101	107	-
Average age	48	48	47	47	48
Employee turnover, %	6.6	6.9	6.6	6.8	9.2
Proportion recruited internally, %	50	72	63	51	45
Average no. of employees* in forestry operations	629	612	587	607	626
Average no. of employees* in staffs	107	104	118	114	81
Average no. of employees* in subsidiaries	272	248	253	297	320

* Total number of hours worked/1,650.

Breakdown of employees in the Group

	2011	2010	2009	2008	2007
Proportion of women, %*	20.2	19.4	19.4	19.1	17.6
Proportion of men, %*	79.8	80.6	80.6	80.9	82.4
Number of women/men on the Board**	6/3	6/3	4/4	4/5	4/4
Number of women/men in group management	4/8	3/6	3/4	3/4	3/5
Proportion of women managers, %	23	25	21	19	20

* Relates to average number of employees.

** Elected by annual general meeting.

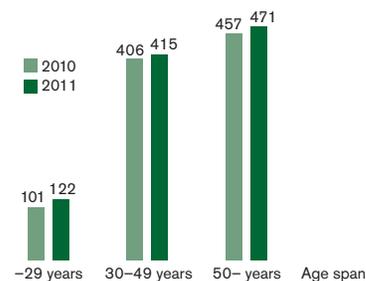
Number of employees* by region (market area)

Market area/region	Number
Bergslagen	184
Norrbottn	141
Götaland	133
Västerbotten	98
Södra Norrland	79
Stockholm	61
Latvia/Lithuania	28
Finland	2

* Only permanent employees.

Employees within different age groups

Based on average number of employees



Employee turnover 2011

The total number of employees who left their employment during the year was 48. Employee turnover was 6.6% (6.9). Details of employee turnover, the breakdown between women and men, per market area and age group are provided on the right.

Employees who left	Proportion	Women/men	By market area		By age group
48 (57)	48/725* (50/724)	8/40 (7/50)	Bergslagen	10 (6)	<30: 6 (5)
			Göteborg	10 (9)	30–50: 19 (25)
			Norrbottnen	4 (6)	>50: 23 (27)
			Södra Norrland	6 (5)	
			Stockholm	6 (11)	
			Västerbotten	6 (3)	
			Baltfor	6 (17)	

* "Personalekonomisk redovisning och kalkylering" by Gröjer/Johanson. Lowest number who started or left (72 started, 48 left) divided by average number of employees during the year. Permanent employees only.

Health and safety

	2011	2010	2009	2008	2007
Permanent employees (excl. consultants and self-employed)	726	720	721	741	726
Average no. of employees, incl. temporary employees	1,008	964	958	1,018	1,027
Sickness absence, total %	2.0	2.4	2.4	2.9	3.2*
Sickness absence women %	2.4	2.5	3.1	3.1	2.3*
Sickness absence, men %	1.9	2.3	2.2	2.9	3.4*
Long-term sickness absence % of total sickness absence	41.4	51.2	60.7	57.1	64.9*
Long-term health %**	42.9	40.7	33.3	44.4	50.2*
Notified work-related injuries***/1,000 FTEs	6.0****	8.3****	11.5	4.9	6
Total absentee days due to work-related injuries*****	52	66	256	166	–
Sickness absence due to work-related injuries %	0.02	0.03	0.10	0.07	–

- * Excl. employees in Sveaskog Baltfor SIA.
- ** Proportion of employees employed for at least three years with no sickness absence during the past two years.
- *** Work-related injuries: accidents, travel accidents, work-related illnesses which on reporting date are expected to lead to absence. Also includes minor injuries at a first-aid level. Contractor's accidents are not included. We do not report accidents by region, but follow-up takes place in the local safety committees within each market area.
- **** Recalculated using GRI's guidelines the number of work-related injuries is 7.2 (7.3).
- ***** All absentee days started within two days after the accident.

Relation between men's and women's salaries

	2011	2010
Number of employees	696	692
Number of wage-earner women/men	17/283	13/292
Women's median salary in relation to men's (wage-earners), %	95	92
Number of salaried employees women/men	113/283	110/277
Women's median salary in relation to men's (salaried employees), %	98	95
Number of women/men	130/566	123/569

The above comparison does not take into account that different requirements are made for different positions, but only provides an overall view of the pay structure per agreement area. Salary information and the number of employees relate to permanent employees in Sweden (excluding foreign subsidiaries).

Further training programmes

Sveaskog offers various further training programmes in order to ensure that employees have the skills they require for the company to be able to meet its strategic targets. This also means that employees are offered personal development and opportunities for life-long learning.

	Yes	No
Internal courses	×	
Financial contribution for external study	×	
Long leave of absence in accordance with current legislation	×	
Pension planning for future retirees	× (partly)	
Further training for those who intend to continue working	×	
Severance pay	×	
Severance pay which takes age and service period into account	×	
Assistance with finding new employment	×	
Assistance in adjustment to non-working life		×

About the report

About our sustainability report

Sveaskog describes its sustainability initiatives and reports its performance with regard to economic, environmental and social targets in a sustainability report which is published in March each year. Since 2008, the report has been prepared in accordance with Global Reporting Initiative's guidelines (GRI G3) and externally assured.

We comply with GRI's guidelines and report the results achieved for the reporting period against the background of our undertakings, strategies and management approach. The intention is to present, measure and accept responsibility towards our stakeholders, both within and outside the company, for what we have achieved in our work towards sustainable development. Within Sveaskog there is a special working group, led by the SVP, Environment and Social Responsibility, which is responsible for sustainability reporting. Sveaskog's Board submits the sustainability report and the audit committee prepares work with the report.

The 2011 sustainability report meets GRI G3's application level B+ and is reviewed by PwC. GRI guidelines are implemented in internal work on sustainability issues and the information within most of the performance data meets GRI's criteria in the so-called indicator protocols.

The Board's signature of the 2011 Sustainability Report and the Auditors' assurance report are provided on page 33.

Scope of the report

Sveaskog's ambition is to provide a comprehensive report of sustainability initiatives, where both negative and positive development is clearly stated. Sustainability work is based on the code of

conduct and the policies and guidelines which govern our operations. The undertakings we have through certification and various memberships, including FSC® and Global Compact, are of major significance for sustainability work. We base choice of issues that are most significant for Sveaskog's external and internal stakeholders to take into account and report on a materiality assessment. We have analysed all GRI's performance indicators on the basis of how important they are for the work with sustainable development and what control we have over them. Analyses of indicators with comments are provided on pages 28–32. The report includes a total of 33 of GRI's core indicators and 12 additional indicators, which are listed with page references in the GRI index. We report all GRI's profile disclosures.

Boundaries

Until the 2008 sustainability report, the report mainly contained information about the forestry operations in Sveaskog Förvaltnings AB. Since then, unless otherwise indicated, the information applies to the whole of Sveaskog, a group which in addition to forestry operations includes the wholly owned subsidiaries Sveaskog Naturupplevelser AB, Svenska Skogsplantor AB and Sveaskog Baltfor SIA.

The sawmill group Setra Group AB, which is owned to 50% by Sveaskog AB, is not included in the sustainability report except for the part of the financial result for Setra Group AB which affects Sveaskog Förvaltnings AB's earnings. Sveaskog has a member on Setra Group AB's board and is thus able to influence Setra's sustainability work.



GRI G3 index

The below index provides an account of Sveaskog's reporting according to Global Reporting Initiative's guidelines (GRI G3) and where the information can be found. We have used GRI's reporting principles as a basis for the decision as to which areas and indicators should be reported and in order to guarantee the quality of the information. The sustainability report meets GRI G3's application level B+. Each category indicator is introduced with a commentary and analysis. The indicators reported are marked in bold in the matrices.

Key:

P = page

* = See Sveaskog's Annual Report 2011, in Swedish

W = [www.sveaskog.se/About Sveaskog](http://www.sveaskog.se/About_Sveaskog)

(C) = Core indicator

(A) = Additional indicator

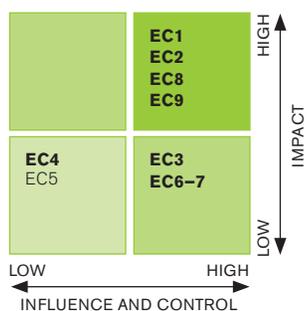
● Fully reported ● Partly reported

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2. ORGANISATIONAL PROFILE		
2.1 Name of the organisation	P 1	●
2.2 Primary brands, products and/or services	P 12–23*, 26–29*	●
2.3 Operational structure of the organisation including main divisions, operating companies, subsidiaries and joint ventures	P 16*, 64*, 71–72*	●
2.4 Location of organisation's headquarters	back cover	●
2.5 Number of countries where the organisation operates, and names of countries with major operations	P 13–14*, 16*	●
2.6 Nature of ownership and legal form	P 1, 64*	●
2.7 Markets served	P 12–13*	●
2.8 Scale of the organisation	P 25, 75*, 79*	●
2.9 Significant changes during the reporting period regarding size, structure or ownership	P 71*, 100*	●
2.10 Awards received in the reporting period	None	●
3. REPORT PARAMETERS		
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3.3 Reporting cycle	P 26	●
3.4 Contact person for questions regarding the report	back cover	●
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3.6 Boundary of the report	P 8–9, 26	●
3.7 Specific limitations on the scope or boundary of the report	P 8–9, 54–60*	●
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability	S 26, respective indicator	●
3.9 Data measurement and calculation principles	P 26, respective indicator	●
3.10 Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	P 26, respective indicator	●
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applies in the report	P 26, respective indicator	●
3.12 Table identifying the location of the Standard Disclosures in this report	P 28–32	●
3.13 Policy and current practice with regard to external assurance for the report	P 26	●
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1 Governance structure for the organisation	P 64–67*	●
4.2 The Chairman of the Board's role in the organisation	P 64–65*, 68*	●
4.3 Independent and/or non-executive board members	P 64*, 68–69*	●
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	P 8–9, 64*	●

	Where to find information	Reporting extent
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	P 64*, 67*, 92–95*
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	P 64–65*, W – Owner policy
4.7	Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	P 64–65*, W – Owner policy
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	P 5, 18, 26
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	P 1, 18–20, 33
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	P 33, 64–67*
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	P 5, 12–14
4.12	Externally developed economic, environmental, and social characters, principles, or other initiatives to which the organisation subscribes or endorses.	P 5, 12–14, 18, 20
4.13	Memberships in associations and/or national/international advocacy organisations	P 18
4.14	List of stakeholder groups engaged by the organisation	P 8
4.15	Basis for identification and selection of stakeholders with whom to engage	P 8–9
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P 8–9
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	P 8–9

ECONOMIC PERFORMANCE INDICATORS – Economic impact



HIGH IMPACT – HIGH INFLUENCE

For Sveaskog is it of major importance that the company is profitable, is able to issue a dividend, to pay tax, and to be a good and secure employer (EC1). Climate change represents major risks and opportunities for a forest owner (EC2).

Sveaskog makes no investments for public benefit. Investments are made on a commercial basis in order to strengthen the business and brand. Investments in roads, ecoparks and information material also have a value to the public since they provide opportunities for outdoor pursuits (EC8). Our operations are spread throughout Sweden and indirectly Sveaskog contributes to job opportunities, often in rural areas (EC9).

LOW IMPACT – HIGH INFLUENCE

Sveaskog has extensive provisions for pensions as well as paying monthly premiums. Provisions are regulated by Swedish law, collective agreements and special agreements. For a more detailed account of EC3 read Note 23 on page 103 of Sveaskog's annual report (in Swedish). Sveaskog uses contractors for forestry operations and most of the contractors are local, which means that Sveaskog is an important local employer. During 2011 we outsourced forestry assignments to contractors for approximately

SEK 136–217 million per market area, total for the year approximately SEK 898 million (EC6). As a consequence of the geographic spread of our operations, we employ people who live in the local area. Senior executives also have local connections which strengthens contacts with local communities and increases our ability to understand local needs. Of group management in 2011, eight executives were stationed in Stockholm, three in northern Sweden and one in southern Sweden. Sveaskog has almost 100% local employment and general practice governs these routines (EC7).

LOW IMPACT – LOW INFLUENCE

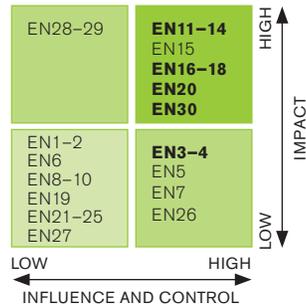
Sveaskog is owned by the Swedish state, operated on a commercial basis and governed by its articles of association. We have support from the public sector (EC4) in the form of road subsidies which are reported in Note 1, Revenues – government grants page 88 and EU subsidies for nature conservation activities, which for 2011 totalled approximately SEK 5 million. Transactions with these, such as land sales, are reported in Note 3 page 92. EC5 is not significant to report since salaries in Sveaskog are governed by collective agreements in Sweden. In the Baltic countries, individual salary agreements are applied, but all are far in excess of levels for local minimum wage.

	Where to find information	Reporting extent
Disclosure on management approach		
Targets and performance	P 6–7, 10–11, 71*	●
Policy	P 5, 11, 94–96*, W	●
Additional contextual information	P 5, 71–75*	●
Economic performance		
EC1 Direct economic value generated and distributed (C)	P 10–11	●
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change. (C)	P 10, 76–78*	●
EC3 Coverage of the organisation's defined benefit plan obligations (C)	P 103*, above	●
EC4 Significant financial assistance received from government (C)	P 88*, 92*, above	●
Market presence		
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations (C)	P 10–11, 18, 20, above	●
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant locations of operations (C)	above	●

Indirect economic impact

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement (C)	P 11	●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts (A)	P 10–11, 18–19	●

ENVIRONMENTAL PERFORMANCE INDICATORS – Environmental impact



HIGH IMPACT – HIGH INFLUENCE
 Protection of biodiversity is a key issue for Sveaskog (EN11–14). A large number of species, including several red-listed, have habitats on our lands. Work on an inventory of red-listed species on our lands has started but we do not report EN15. Felling and transports lead to emissions of greenhouse gases and other pollutants, see pages 15–17 for a report (EN16–17, EN20). We work to reduce our emissions from operations, see pages 15–17 for report (EN18).

Environmental protection measures and projects to restore environmental and natural values involve major costs. We see our nature conservation work as an investment. A rough compilation which includes salaries, certification costs, nature conservation silviculture, restoration of aquatic values, provides a cost of SEK 31.3 million (22.8) for 2011 (EN30).

LOW IMPACT – HIGH INFLUENCE
 We report our energy consumption (EN3–4), see page 17. EN5 (energy saved due to conservation and efficiency improvement) and EN7 (initiatives to reduce indirect energy consumption and reductions achieved) may be reported later. Initiatives to mitigate environmental impacts of products and services, EN26, is not reported since our environmental impact is not derived from a specific product.

HIGH IMPACT – LOW INFLUENCE
 We have no significant fines and sanctions for non-compliance with applicable laws and do not report EN28. Sveaskog has no follow-up of for example employee travel to and from work and aspects such as noise and does not report EN29.

LOW IMPACT – LOW INFLUENCE
 Sveaskog has no production, which means that use of materials and questions related to recycling, EN1 and EN2, are irrelevant and not reported. EN6 does not apply to Sveaskog's products and is not reported. Since Sveaskog has no emissions of ozone-depleting compounds, EN19 is not significant to the report. The forest is important for cleaning water, on the other hand we do not have extensive water consumption or emissions to water and the indicators EN8, EN9, EN10, EN21, EN25 are not significant to this report. Water for our greenhouses is taken from nearby dams, where water consumption makes a positive contribution to regulating the water level. Waste and spills from forestry operations are minor the indicators EN22, EN23 and EN24 are not significant for reporting. Since waste and spills are not derived from a specific product EN27 is assessed as not significant to this report.

Disclosure on management approach

Targets and performance	P 6–7*, 7, 27*, 12–17	●
Policy	P 5, 13, W	●
Organisational responsibility	P 5, 13, 64*	●
Training and awareness	P 12	●
Monitoring and follow-up	P 5, 12–17	●
Additional contextual information	P 74–78*	●

Energy

EN3	Direct energy consumption by primary energy source (C)	P 17	●
EN4	Indirect energy consumption by primary energy source (C)	P 17	●

Biodiversity

EN11	Location and size of land owned, leased and managed, in or adjacent to protected areas and areas of high biodiversity value outside protected areas (C)	P 24*, 27*, 13–14, W	●
EN12	Description of significant impacts of activities, products and services on biodiversity in protected area and area of high biodiversity value outside protected areas (C)	P 24*, 12–14	●
EN13	Habitats protected or restored (A)	P 24*, 12–14, W	●
EN14	Strategies, current actions and future plans for managing impact on biodiversity (A)	P 24*, 27*, 12–14	●

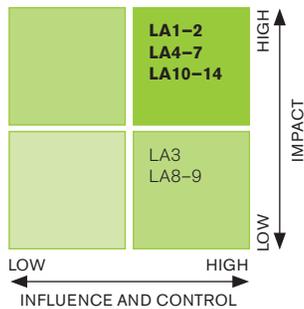
Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions by weight (C)	P 15–17	●
EN17	Other relevant indirect greenhouse gas emissions by weight (C)	P 15–17	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved (A)	P 11*, 22–23*, 15–17	●
EN20	NO _x , SO _x and other significant air emissions by type and weight (C)	P 17	●

Overall

EN30	Total environmental protection expenditures and investments by type (A)	above	●
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SOCIAL PERFORMANCE INDICATORS – Labour practices and decent work



HIGH IMPACT – HIGH INFLUENCE

Issues related to employees, labour law, working environment, participation and skills development are important to Sveaskog (LA1–2, LA4–7 and LA10–12). We have no routine reporting of the number of hours that consultants and self-employed work for Sveaskog and these groups are not included in our reporting of LA indicators. As regards significant organisational changes in operations we have no specified minimum notice period (LA5), by law or in collective agreements. We work instead according to the principles in the Swedish Co-determination Act (MBL).

In Sweden all employees are represented in safety committees. In the subsidiary Sveaskog Baltfor SIA, this work is conducted with the aid of a working environment consultant, although based on the same working environment targets as those applying in the rest of the Group. The

proportion represented in safety committees is over 75% (LA6).

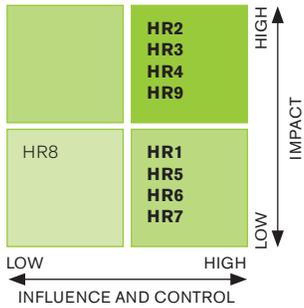
Sveaskog works strategically with diversity and equality issues (LA13–14), although due to current legislation we are unable to follow up and quantify the results of all parts of diversity work.

LOW IMPACT – HIGH INFLUENCE

Benefits cover all employees and LA3 is not reported. The risk of disease is limited for Sveaskog's employees and the indicator LA8 which takes up areas such as training, support and risk management for employees and their families in the event of serious diseases, is not reported. Working environment topics are systematically regulated by law and collective agreements which means it is not relevant to report LA9.

	Where to find information	Reporting extent
Disclosure on management approach		
Targets and performance	P 5, 7, 21–25	●
Policy	P 5, 21, W	●
Organisational responsibility	P 5, 21, 64*	●
Training and awareness	P 21–25	●
Monitoring and follow-up	P 5–7, 21	●
Additional contextual information	P 75–78*, 94–95*	●
Employment		
LA1 Total workforce by employment type, employment contract and region (C)	P 24, 94–95*	●
LA2 Total number and rate of employee turnover by age group, gender and region (C)	P 22, 25	●
Labour/management relations		
LA4 Percentage of employees covered by collective bargaining agreements (C)	P 21	●
LA5 Minimum notice period(s) regarding operational changes included whether it is specified in collective agreements (C)	above	●
Occupational health and safety		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes (A)	P 22–23, above	●
LA7 Rates of injury, occupational diseases, lost days and absenteeism and work-related fatalities (C)	P 25, 94–95*	●
Training and education		
LA10 Average hours of training per year per employee by employee category (C)	P 22	●
LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (A)	P 25	●
LA12 Percentage of employees receiving regular performance and career development reviews (A)	P 21	●
Diversity and equal opportunity		
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity (C)	P 24, 68–69*, 70*, 94–95*, above	●
LA14 Ratio of basic salary of men to women by employee category (C)	P 25	●

SOCIAL PERFORMANCE INDICATORS – Human rights



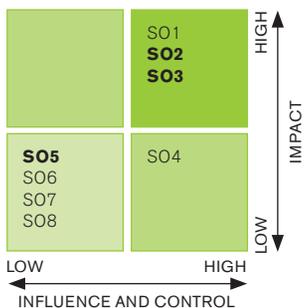
HIGH IMPACT – HIGH INFLUENCE
 Our production and silvicultural activities are conducted to a large extent by contractors. We place extensive demands on environment and social issues and follow up these requirements. Framework agreement suppliers are subject to our CSR requirements. One follow-up examination with a site visit was made during the year (2%) (HR2). Training in policies and guidelines is important and takes place at organised training days. During the year 17% of our employees participated in training related to human rights. An estimated 200 employee training hours have been dedicated to these issues (HR3). The number of incidents of discrimination is followed up annually (HR4). Reindeer herding takes place on our lands and Sveaskog consults in accordance with the Swedish Forestry Act and FSC® undertakings with reindeer herders regarding forestry activities (HR9).

LOW IMPACT – HIGH INFLUENCE
 Investments outside Sweden are modest and the risk of negative impact is therefore low. Investments in Sweden include infrastructure and R&D projects. We make demands in the supply chain based on our Code of Conduct and CSR requirements (HR1). We support the Global Compact and report how we specify and comply with principles on human rights (HR5-7).

LOW IMPACT – LOW INFLUENCE
 Sveaskog has no safety employees relevant for reporting under HR8.

	Where to find information	Reporting extent
Disclosure on management approach		
Targets and performance	P 7, 18–20	●
Policy	P 5, 18, 21, W	●
Organisational responsibility	P 5, 18, 21, 64*	●
Training and awareness	P 18–20	●
Monitoring and follow-up	P 8–9, 18–21	●
Additional contextual information	P 76–78*	●
Investment and procurement practices		
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening (C)	P 20	●
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken (C)	P 18–20, above	●
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained (A)	P 18, above	●
Non-discrimination		
HR4 Total number of incidents of discrimination and actions taken (C)	P 24	●
Freedom of association and collective bargaining		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights (C)	P 20	●
Child labour		
HR6 Operations where there is a risk of incidents of child labour and actions taken (C)	P 20	●
Forced and compulsory labour		
HR7 Operations identified as having significant risk for incidents of forced and compulsory labour, and measures taken to contribute to the elimination of forced and compulsory labour (C)	P 20	●
Indigenous rights		
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken (A)	P 20	●

SOCIAL PERFORMANCE INDICATORS – Society



HIGH IMPACT – HIGH INFLUENCE
 Sveaskog's operations affect both the local community and other businesses. Most of operations are in rural areas where the need of job opportunities is considerable and Sveaskog is a significant employer as well as a key part of local business. Studies show that our operations have a significant influence on indirect employment. We have no programme, however, for evaluating impact in the local community apart from the study of indirect employment and do not report SO1. Corruption is a threat against free competition and Sveaskog dissociates itself from corruption and bribes in our code of conduct and works

with risk analysis of our business units (SO2). One tool for preventing corruption is to train our employees in the code of conduct. An estimate made after a review of the list of participants at various training days is that 17% of our employees attended training in the organisation's policies and routines relating to anti-corruption during the year (SO3).

LOW IMPACT – HIGH INFLUENCE
 Sveaskog did not have any incidents linked to corruption during the year and does not report SO4. >>

>> SOCIAL PERFORMANCE INDICATORS – Society, cont.

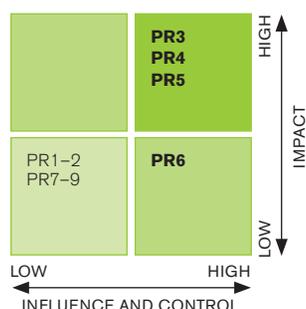
LOW IMPACT – LOW INFLUENCE

Sveaskog participates in the Swedish political decision process as a body to which a proposed measure is referred for consideration. In 2011, Sveaskog among other things responded to Proposed changes in regulations and general advice to §29 of the Swedish Forestry Act and Swedish Inquiry on Predatory Animals interim report SOU 2011_37

(SO5). We are members of Eustafor, a Brussels-based interest group comprising European forest owners. We do not give contributions or gifts to political parties or similar and do not report SO6. Our sponsorship work is governed by guidelines. Sveaskog has not carried out any activities that can be regarded as restricting fair competition or illegal that results in fines and reports neither SO7 nor SO8.

	Where to find information	Reporting extent
Disclosure on management approach		
Targets and performance	P 7, 18–20	●
Policy	P 5, 18, 21, W	●
Organisational responsibility	P 5, 18, 21, 64*	●
Training and awareness	P 18–20	●
Monitoring and follow-up	P 8–9, 18–21	●
Additional contextual information	P 76–78*	●
Society		
SO2 Business units analyses for risks related to corruption (C)	P 20, 31	●
SO3 Employees trained in the organisation's anti-corruption policies and procedures (C)	P 18, 31	●
SO5 Participation in public policy development and lobbying (C)	above	●

SOCIAL PERFORMANCE INDICATORS – Product responsibility



HIGH IMPACT – HIGH INFLUENCE

Sveaskog's forests are certified according to the Swedish FSC® standard. Raw material, for example the wood raw material we import, may not come from controversial sources according to the FSC®'s definitions and we have two traceability certificates (PR3 and PR4). Sveaskog has routines for evaluating and maintaining customer satisfaction, including customer surveys and business development discussions (PR5).

LOW IMPACT – HIGH INFLUENCE

Sveaskog's information activities, market communication and sponsoring are governed by the information policy, sponsoring guidelines and FSC®'s graphic manual. Compliance is checked in conjunction with brand audits, FSC® audits and review of sponsoring co-operation (PR6).

LOW IMPACT – LOW INFLUENCE

Indicators PR1 and PR2 are not significant to report, since our products, wood raw material, do not have the type of impact to which the indicators refer. Sveaskog's marketing and market communication complies with current rules and we do not report PR7. We look after the integrity of our customers and receive no complaints regarding integrity issues or loss of data. PR8 is not reported. Sveaskog has not received any fines for non-compliance with regulations concerning the use of products and services and does not report PR9.

	Where to find information	Reporting extent
Disclosure on management approach		
Targets and performance	P 6–7*, 7, 12–14	●
Policy	P 5, 12, W	●
Organisational responsibility	P 5, 12, 64*	●
Training and awareness	P 4, 12–14	●
Monitoring and follow-up	P 8–9, 12–14	●
Additional contextual information	back cover, P 76–78*	●
Product and service labelling		
PR3 Type of product and service information required by procedures (C)	back cover, P 12–14	●
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes (A)	P 12–14	●
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (A)	P 7, 9	●
PR6 Programmes for adherence to laws, standards and voluntary codes for marketing communications (C).	P 5, 19, above	●

Signature by the Board of Directors

The undersigned hereby submit Sveaskog AB's (publ) sustainability report for 2011. The sustainability report describes Sveaskog's sustainability initiatives and is prepared in accordance with Guidelines for sustainability reporting, issued by Global Reporting Initiative.

Stockholm, 15 March 2012

Göran Persson
Chairman

Eva Färnstrand
Board member

Marianne Förander
Board member

Thomas Hahn
Board member

Carina Håkansson
Board member

Birgitta Johansson-Hedberg
Board member

Elisabeth Nilsson
Board member

Anna-Stina Nordmark Nilsson
Board member

Mats G Ringesten
Board member

Sture Persson
Employee representative

Eva-Lisa Lindvall
Employee representative

Per-Olof Wedin
President and CEO

Auditors' report on limited review of sustainability report

To readers of Sveaskog's annual and sustainability report

We have been engaged by the management of Sveaskog AB (publ) to review the Sveaskog Sustainability Report for the year 2011. The Board of Directors and Executive Management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

The scope of the review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review is based are the parts of the Sustainability Reporting Guidelines G3, 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 and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, included e.g. the following procedures:

- a. update of our knowledge and understanding of Sveaskog's organisation and activities,
- b. assessment of criteria suitability and application with regard to stakeholders' information needs,
- c. interviews with management at group level in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- d. examination of internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- e. evaluation of the design of systems and processes used to obtain, manage and validate sustainability information,
- f. analytical procedures of the information stated in the Sustainability Report,
- g. assessment of the company's declared application level according to the GRI guidelines,
- h. assessment of the overall impression of the Sustainability Report and its format, taking into consideration the consistency of the stated information with applicable criteria.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the Sveaskog Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 15 March 2012

Mikael Eriksson
Authorised Public Accountant
PricewaterhouseCoopers AB

Fredrik Ljungdahl
Expert member of FAR SRS
PricewaterhouseCoopers AB

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