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<b>About this report</b>		
SCA publishes a separate sustainability report each year. The report describes the environmental, social and economic perspectives of SCA's sustainability initiatives, and is aimed at specialist audiences with an interest in SCA's sustainability performance, including analysts, investors and NGOs. As of 2008, SCA is a signatory to the UN Global Compact. The sustainability report represents the Group's Communication on Progress, describing SCA's work to address the Global Compact's ten principles on human rights, working conditions, the environment and anticorruption. The Global Reporting Initiative guidelines, level A+, are applied in this report, and the GRI content index (pages 74–75) provides a cross-reference to the indicators included in the report. The entire report has been reviewed by PwC. All data in this report has been collected over the 2012 calendar year, and covers the SCA Group, including wholly and majority-owned subsidiaries. For further information regarding the sustainability report and its reporting principles, see page 71.		

# Recognition



SCA was named one of the world's most ethical companies by the Ethisphere Institute.



SCA is included in the Dow Jones Sustainability Index, one of the world's most prestigious sustainability indexes.



SCA is included in the Carbon Disclosure Leadership Index.



SCA has been listed on the FTSE4Good global sustainability index since 2001.



SCA is on the Fortune Most Admired Companies list, ranked third in the Forestry and Paper class, and number one in this class for social responsibility.



SCA became a UN Global Compact member in 2008.



SCA is a member of the World Business Council for Sustainable Development (wbcasd).



In WWF's Environmental Paper Company Index 2011 SCA had the highest score in both in the tissue and packaging categories.



SCA is listed on the Global Challenges Index.



SCA is a constituent of ECPI indices.



SCA is included in the indexes OMX GES Sustainability Nordic and OMX GES Sustainability Sweden.



SCA was awarded for Best Sustainability Report 2011 by FAR (the professional institute for authorized public accountants in Sweden).

## BUSINESS AREAS

### Share of net sales (share of Group)

Personal Care, 30%
Tissue, 49%
Forest Products, 21%



Total Group: SEK 85,408m

### Share of operating profit (share of Group)

Personal Care, 35%
Tissue, 50%
Forest Products, 15%



Total Group: SEK 8,646m

Excluding items affecting comparability.

SCA is a leading  
that deve

*"I believe that people and nature are meant to co-exist. We have a responsibility to take care of nature so nature can take care of us. Even before it became popular for companies to be 'green', SCA was committed to raising the awareness and importance of creating value from nature."*

**Bernice Cator**, Laboratory Engineer  
in Philadelphia, USA

Europe (including Africa)	2012	2011 <sup>1)</sup>	Employee age distribution
Net sales, SEKm	62,538	57,013	% 40
Average no. of employees	22,149	20,357	30
Women, %	25	26	20
Salaries <sup>2)</sup> , SEKm	9,303	8,271	10
Social security costs, SEKm	2,705	2,301	0

0-20 21-30 31-40 41-50 51-60 60+

Asia <sup>3)</sup>	2012	2011 <sup>1)</sup>	Employee age distribution
Net sales, SEKm	5,000	4,113	% 40
Average no. of employees	2,531	1,862	30
Women, %	60	60	20
Salaries <sup>2)</sup> , SEKm	359	282	10
Social security costs, SEKm	46	43	0

0-20 21-30 31-40 41-50 51-60 60+

Americas	2012	2011 <sup>1)</sup>	Employee age distribution
Net sales, SEKm	17,870	16,130	% 40
Average no. of employees	8,446	8,038	30
Women, %	30	32	20
Salaries <sup>2)</sup> , SEKm	2,312	2,258	10
Social security costs, SEKm	696	620	0

0-20 21-30 31-40 41-50 51-60 60+

SCA Group total	2012	2011 <sup>1)</sup>	Employee age distribution
Net sales, SEKm	85,408	81,337	% 40
Average no. of employees	33,775	31,646	30
Women, %	29	29	20
Salaries <sup>2)</sup> , SEKm	12,241	11,850	10
Social security costs, SEKm	3,446	3,094	0

0-20 21-30 31-40 41-50 51-60 60+

<sup>1)</sup> 2011 adjusted for the divestment of SCA's packaging operations, excluding the two liner mills in Sweden.

<sup>2)</sup> And other personnel costs.

<sup>3)</sup> Excluding joint-venture in Australia and New Zealand.



g global hygiene and forest products company  
 ops and produces sustainable personal care,  
 tissue and forest products.



### Personal Care

The business area comprises three product segments: incontinence products, baby diapers and feminine care. Production is conducted at 30 facilities in 25 countries.



### Tissue

The business area comprises two product segments: consumer tissue and Away-From-Home (AFH) tissue. Production is conducted at 55 facilities in 23 countries.



### Forest Products

The business area comprises five product segments: publication papers, kraftliner (packaging papers), pulp, solid-wood products and renewable energy. Production is conducted at 20 facilities. Products are mainly sold in Europe, but also in Asia, North Africa and North America.

36,000 employees

Annual sales of SEK 85 billion

SCA has sales in about 100 countries

Many strong brands

### A symbolic journey with the brand in focus

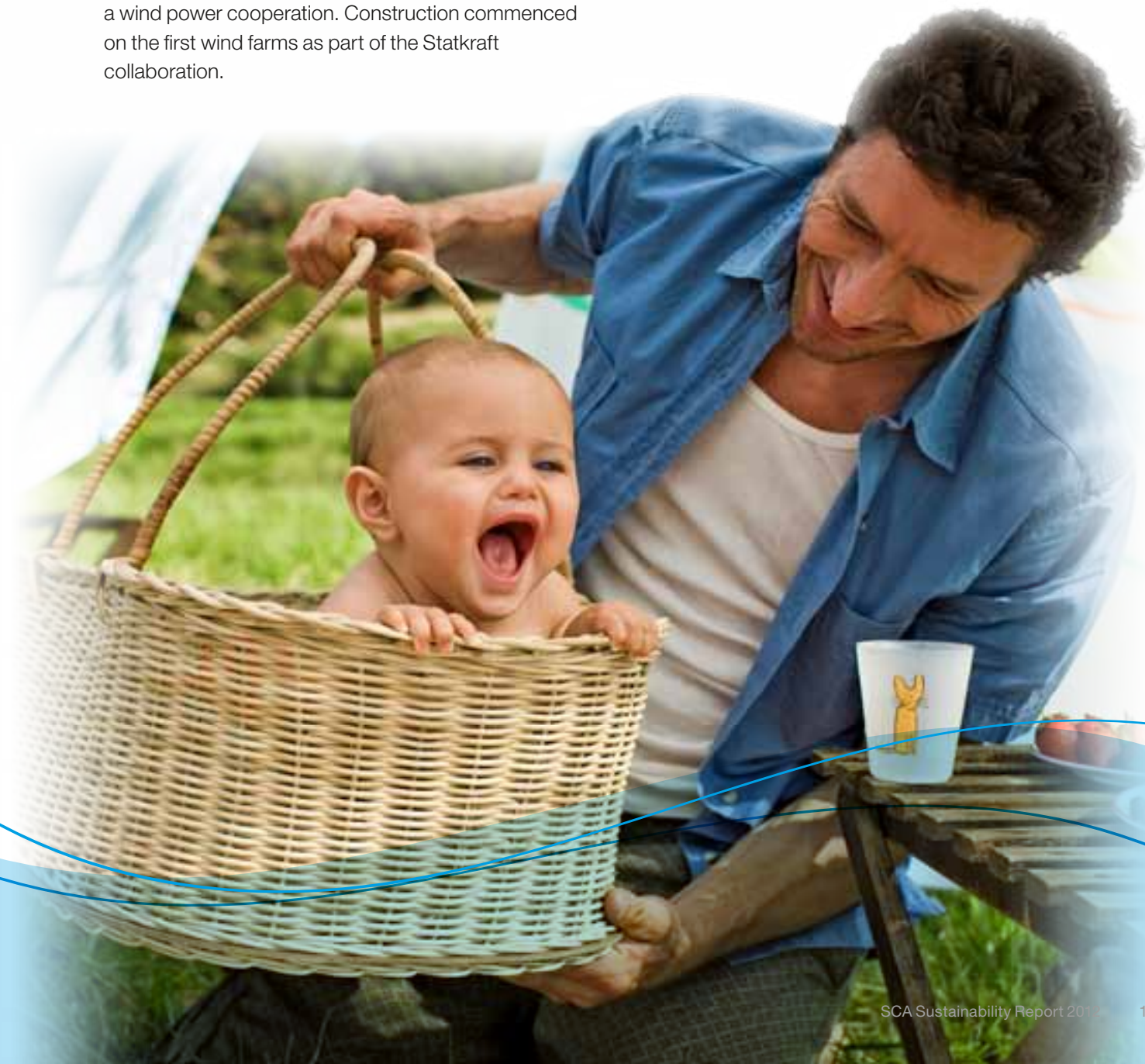
SCA has decided to participate in the 2014–2015 edition of the Volvo Ocean Race. Participation in the event aims to promote the SCA brand and the Group's product brands.

The Volvo Ocean Race is the most demanding sailing competition in the world, while it also provides a unique global marketing platform. Just like in business, qualities such as interpersonal skills, leadership and the ability to define a successful strategy are decisive factors for the outcome. One of SCA's sustainability ambitions is to support women's rights to live their lives on their own terms, which is one of the reasons why the Group has chosen to participate with an all-female crew. The Volvo Ocean Race is a symbol for the journey of change that SCA is undergoing – in cultural, organizational and commercial terms.



# Highlights 2012

- Acquired Georgia-Pacific's European tissue operations.
- Divested packaging business, excluding the two kraftliner mills in Sweden.
- Launched new sustainability targets for SCA.
- Decided to invest in a biofuel lime kiln at Munksund kraftliner mill in Sweden.
- SCA and E.ON signed an agreement to establish a wind power cooperation. Construction commenced on the first wind farms as part of the Statkraft collaboration.
- SCA achieved 100% control of the origins of fresh fiber-based materials.
- Rolled our global Code of Conduct awareness campaign.
- All major SCA facilities reported in the Sedex ethical database.



# Sustainability – part of our business model

Sustainability not only forms an integral part of SCA's operations, it is also part of our business model. Our sustainability program is based on financial, environmental and social value creation – all of which hold equal importance in efforts to create a successful company. Furthermore, the business model is underpinned by our strategic priorities: efficiency, innovation and growth.

Delivering value and return to our shareholders, both in the long and short term, is fundamental for SCA. To ensure the company's relevance in the future, it is important to understand the link between financial return and value creation for people and the environment. Global macro trends, such as population growth, an aging population, higher standards of living, shortage of resources and climate change, are altering the conditions for our business operations. Addressing these opportunities and challenges using a sustainable business model creates new opportunities for efficiency enhancements, innovation and growth.

## Business value

When we use our resources efficiently, we reduce our environmental footprint and our costs. In 2012, for example, we decided to invest SEK 490m in a lime kiln at the kraftliner mill in Munksund, resulting in annual cost savings of approximately SEK 50m and a 75% reduction in fossil carbon emissions.

By effectively managing our business and supply chain, we save money and reduce the risk of corruption and health and safety violations. We do this by continuously educating people in our Code of Conduct and expanding our review of compliance. In 2012, audits were carried out in Russia, the US, Sweden and Poland. Our plans for 2013 include increasing the number of audits and continuing our reporting in the global Sedex ethical database, both in SCA's own operations and in our supply chain.

Being recognized as a sustainable company makes SCA an attractive employer and instills employees with a sense of pride. The sustainability requirements of investors regarding the companies in which they invest are becoming more stringent. Customers and consumers are requesting sustainable products and services

and we use our sustainability program to help our customers strengthen their market positions and fulfill their own sustainability targets. The Empire State Building in the US is one such customer; SCA's Tork products played a part in the environmental certification of the building (LEED).

Our sustainability initiatives not only strengthen the SCA brand, they also play a vital role for our product brands, such as Tork, TENA, Libero, Libresse and Lotus. Our innovation work is governed by sustainability criteria and our efforts to attain various types of certification to facilitate the choice of brand for the consumer.

## New ambitious sustainability targets

Our ambition is to improve hygiene standards across the globe and to minimize our environmental impact. Through our hygiene and forest products operations, we have a unique opportunity to make a real difference for people and the environment. We do this through our products and offerings, and also via comprehensive education initiatives to raise knowledge of hygiene's significance for health and well-being as well as breaking taboos surrounding conditions such as incontinence.

To further raise ambitions in the sustainability area and to cascade these ambitions into measurable milestones, we launched a number of new sustainability targets last year. We have selected the targets on the basis of what is most relevant for SCA's business and our stakeholders. Measurable targets make it easier to understand how sustainability contributes to business. The targets have a value in themselves – if something is measured, it gets done! – and they are by no means static; the related efforts will be concluded when the targets have been achieved and new targets will be added as the need arises.

## A company in transition – a journey into the future

In 2012, SCA completed two historically important corporate transactions: the acquisition of Georgia-Pacific's European tissue operation and the divestment of our packaging business, excluding the two kraftliner mills in Sweden. We purchased the Asian hygiene company Ever-beauty and sold our paper mill in Aylesford in the UK. We also signed an agreement to sell the Austrian publication paper mill in Laakirchen. The end result is an SCA that is somewhat smaller than before in terms of sales and number of employees, but with full focus on hygiene and forest products.

During the year, the hygiene business carried out a major reorganization at the same time as we launched comprehensive efficiency-enhancement and savings programs in both the hygiene and the forest products operations.

These major restructuring efforts will facilitate continued and future growth and profitability, but will also naturally entail a considerable strain on our employees and our organization. I have been impressed with the ability of employees to continuously put the interests of the customer and consumers first, to focus on innovation and to act as professionally as always. There is a great inherent sense of pride and strength in our corporate culture and this is something we at SCA continuously build on!

## Standing up for who we are

At SCA, it has always been our belief that we should be as transparent as possible. By providing a clear picture of the direction we are taking, we enable our stakeholders to better understand our business and we form the basis for establishing the stakeholder dialog that is so important for our continued development as a company.

We know that, in essence, there are only a few unique ideas. What sets high-performing companies apart from average ones is the execution itself – doing the right things, doing the right things, surpassing customer and consumer expectations, and being innovative and quick. These insights are the reason why we are increasingly focusing on using open innovation



through collaboration with external parties to develop our offerings. Such partnerships make us stronger and enable us to intelligently use resources.

In 2008, SCA signed the UN Global Compact and, in 2012, we became a member of the World Business Council for Sustainable Development, WBCSD, which further confirms our commitment to sustainability.

**Proof that we are doing the right things**

We are continuously reminded that we are leading the way in the sustainability area. For

the sixth consecutive year, we were named one of the world's most ethical companies by the US think tank Ethisphere Institute and we were once again included in the prestigious Dow Jones Sustainability Indexes. The Swedish Organisation of Certified Public Accountants (FAR) named our 2011 sustainability report as the best in Sweden. We endeavor to do the right things, surpass the expectations of our stakeholders and work to achieve continuous improvements with clear and measurable goals. Combined with an in-depth understanding of global trends, I am convinced that we will

further strengthen our market positions and continue to provide opportunities for growth and value creation.



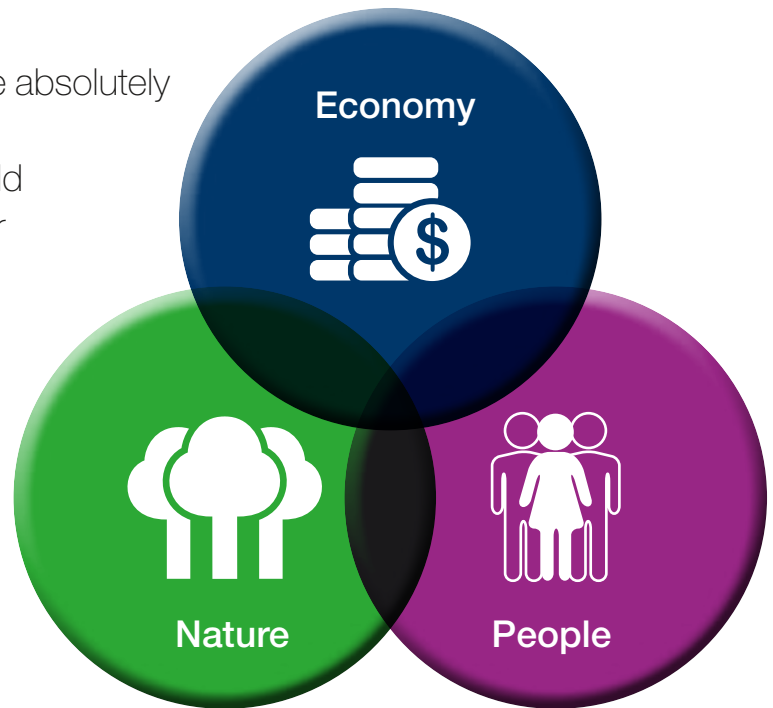
Jan Johansson, President and CEO



# The SCA sustainability effect

Care and respect for people and nature are absolutely central to SCA's way of working.

This is the lens we use to look at the world – from the big picture right down to the finer points of harvesting a forest, testing a new innovation or designing a new diaper. It means we constantly challenge ourselves to deliver solutions that make a difference to everyday life. And we have found that it is amazing what you can achieve when living our values of respect, excellence and responsibility.



## Drivers 1

Population growth, higher standards of living, shortages of resources and climate change are the macro trends that are rapidly altering the conditions for SCA's business operations. By analyzing the external environment and trends, we capitalize on these drivers to create long-term sustainable growth.

page 6



## Dialog with external players 2



Millions of people across the globe have an impact on and an interest in our business. SCA believes that an active and constructive dialog with our stakeholders improves the way we formulate and implement our business strategy and helps us understand the needs and expectations that exist in the communities in which we operate.

page 8





## Our choice of direction **3**

Our materiality analysis highlights the issues that are significant to the company and forms the basis for SCA's sustainability program. The 2012 analysis lists the factors that are most important to stakeholders in combination with our own perception of the relevance of the area for our business strategy.

page 10



## Strategy **4**

SCA's sustainability strategy is an integral part of our business strategy, based on economic, environmental and social value creation. Our ambitions for people and nature describe what we want to achieve in the long term.

page 12

## Target and results **5**



In 2012, we launched a number of new sustainability targets that were chosen on the basis of what is most relevant to SCA's business and our stakeholders. Ambitious and clear targets serve as an excellent means to drive and guide operations. Measureable targets also make it easier for those outside the company to understand how sustainability contributes to the business.

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# Driving forces – a changing world offers new opportunities

Global macrorends, from population increases and higher living standards, to resource shortages and climate change, rapidly change the conditions for SCA's business operations. By analyzing the external environment and trends, SCA can leverage the drivers, thus enabling the creation of long-term sustainable growth.

## **MORE AND OLDER**

When SCA was founded in 1929, the world's population was about 2 billion. Today, we are 7 billion. According to figures from the UN, the global population will reach 9 billion by 2050. We are also getting older. Over the coming decade, the number of people over the age of 65 will increase by 33%. This generates demand for incontinence products and other hygiene products.



## **HIGHER STANDARD OF LIVING**

Improved economic conditions around the world mean new opportunities for consumers, especially in emerging markets such as Asia, Latin America and Eastern Europe. Those who do not have the same financial possibilities nonetheless want to have access to the same hygiene products, freedom to choose and the right to the same degree of well-being as those who live in countries with a more developed market. SCA sees opportunities to generate growth and profitability with new business models and relevant offerings for consumers with limited resources.



## **HEALTH AND HYGIENE**

As healthcare services struggle to meet the increasing demands from a growing and aging population, it becomes even more important to improve standards and products in health and hygiene. Poor or no access to hygiene and sanitation is one of the greatest global challenges to be resolved. Here, hygiene products are an important part of the solution.

## 1

**FOREST MANAGEMENT**

Every year, seven million hectares or 0.2% of all forest areas globally is deforested. Illegal logging and timber from controversial sources threaten the forests of the world and biological diversity. Checking the origin of the wood raw material is therefore extremely important. Sustainably managed forests are one of the world's few renewable resources. Growing forests also absorb carbon dioxide and counteract climate changes. SCA has goals for both preservation of biological diversity and responsible use of wood raw material. SCA's forests have an annual net growth of 1% and are FSC and PEFC certified.

**CLIMATE CHANGES**

The climate issue is one of the most serious environmental and social problems facing the world. Authorities are setting targets to reduce carbon dioxide emissions and the private sector is expected to contribute. SCA has the target of reducing its carbon dioxide emissions by 20% by 2020.

Every year, the Group's forest holdings net absorb 2.6 million tons of carbon dioxide, which exceeds the emissions from SCA's production.

**CHANGED CONSUMER BEHAVIOR**

The planet's limited resources, political prioritizations and more knowledgeable and aware customers and consumers increase demand for sustainable products and services. This drives SCA's innovation of products, services and business models to meet the growing demand for sustainable consumption.

**WATER SHORTAGE**

The UN predicts that two-thirds of the world's population may live in areas with water shortages in 2025. Access to water is critical for people, industries, agriculture and food production. A large proportion of SCA's production processes are dependent on access to water. A great deal of focus is thereby placed on effective water consumption and purifying processes. Special focus is placed on reducing water consumption in the mills that are located in water-stressed areas.

**ENERGY CONSUMPTION**

Access to energy has become a strategic issue in most countries in the world. The International Energy Agency (IEA) predicts that the need for energy will increase by 36% up to 2035, which will probably entail higher costs and shortages in some cases. Since SCA is a large energy consumer, it is important for the company and its competitiveness to constantly work to streamline energy use. SCA conducts development in renewable energy, such as wind power and biofuels, in order to secure access to sustainable energy and reduce the risk of higher costs.

**CHANGED MARKET BALANCE**

Emerging markets are accounting for an increasing share of the global economy in pace with the development of the economies in these regions. In recent years, SCA has strengthened its presence in emerging markets where a growing share of the Group's future expansion will take place.



# Stakeholder dialog

## – stake in the ground

Having a voice in the public debate and engaging in broad dialogue is crucial for SCA – not only as a way to share insight and expertise but also as an opportunity to advocate for solutions to the global challenges shared by SCA and its stakeholders.



**Roberto S. Waack**  
CEO Amata S.A., Brazil



“The Amata partnership with SCA relating to the Velvet Three Trees Program brought a new perspective on tropical forests to Brazil. Recovering degraded lands by planting native trees gave us the opportunity to involve different sources of knowledge on how to plant and maintain tropical trees and enable them to take back their former territory. 2012 marked the fourth year of the partnership in which close to five million trees have been planted and tens of millions of trees have been protected. SCA and Amata worked together to identify traditional knowledge on seed collection and germination. The project attracted the attention of research institutions and civil society organizations that joined the effort to plant and maintain more than 15 Amazonian species of trees. Traditional cattle ranchers also participated in the initiative. We were impressed by SCA’s commitment to accessing and developing know-how in the various areas. We were able to explore the opportunities presented by sustainability with the assistance of local people, workers, scientists, foresters, financial spe-

cialists, auditors, certifiers (all operations are FSC certified), civil society activists and marketing professionals. This is the way we believe the global sustainability challenge should be tackled; creating new possibilities in the real world, feet on the ground, hands on, relevant scale, sharing knowledge, admitting mistakes, putting our brains together to solve something that can make a real difference for the planet and for people, while also making it economically attractive. The potential of the program is immense and it has uses throughout the tropics, but also in the Northern hemisphere of our planet. We learned a lot from SCA on how to access risks and leverage the opportunities generated by such an innovative venture. We are very proud of the project and so too is the Brazilian forest community. There is a long way to go and we are very pleased that – together with SCA – the prospects are extensive.”

*For more information on the Velvet Three Trees Program, see page 35.*



**Nadine Viel Lamare**  
Analyst, Sustainable Investments,  
First Swedish National Pension Fund

“I have been monitoring SCA for a number of years now and I have always had a positive view of the company’s sustainability work. I have also seen that in recent years it has expanded its sustainability focus outside the company’s own operations to also encompass the supplier stage. SCA is active in an industry that not only has considerable sustainability challenges, but also business opportunities, which SCA has taken to heart. It is positive that sustainability is not regarded as something that is done ‘outside’ of normal business operations, but rather is viewed as a tool to achieve long-term financial growth, while there is also an ambition to make a positive contribution to the environment and the communities in which the company operates. It is worth noting that SCA’s customers also view sustainability work as an important parameter when making purchasing decisions.

For me as an investor, transparency and clarity play an essential role in enabling me to effectively assess a company’s actual risks and what is being done to address these. It is obvious that the structured stakeholder dialog that SCA conducts with various groups has not only impacted the way it approaches and works with sustainability, but also its method of reporting on the subject. SCA’s transparent reporting on risks, stakeholders’ perceptions of the company, targets and target fulfillment not only creates credibility for its sustainability efforts, but also increases the internal understanding of the company’s chosen areas.”



**Jacqueline Macalister**  
Sustainable Supply, McDonald’s Europe

“Our ambition at McDonald’s is to source all our food and packaging sustainably. Achieving this goal requires a strong commitment from and strategic partnerships with our suppliers. SCA is a business that understands the sustainability agenda and has demonstrated its willingness to incorporate it into their core business. SCA is a key partner supporting McDonald’s to source

sustainable wood fiber that’s recycled or from sustainable forests, partnering on initiatives to drive down our paper consumption, optimizing the supply chain to reduce transportation distances and working with us to test closed loop recycling. Their engagement with us is vital to being able to achieve our sustainability goals in all of these areas.”

## 2

As a leading global hygiene and forest products company, SCA considers it important to tackle shared global challenges in dialog with a wide variety of stakeholders. This includes employees, customers and consumers, governments and regulatory bodies, non-governmental organizations

(NGOs), trade associations and other networks and alliances. The company is actively engaged in a number of issues and seeks to conduct all such interactions in a spirit of openness and transparency.

Stakeholder group	2012 activities	Key areas	How do we address the issues (page number)
<b>Customers</b>	Customer surveys Seminars	Carbon footprint Ecolabelling Human rights compliance Fiber sourcing	Life Cycle Assessments (26) CO <sub>2</sub> target (32) Sourcing target (36) FSC certification (36, 38) Code of Conduct audits (47) Business Practice Reviews (47) Implementation of supplier standard (50)
<b>Consumers</b>	Consumer surveys Consumer research	Impact of products on people and nature, for example, carbon footprint, ecolabelling	LCAs including carbon footprint (26) Eco actions ( <a href="http://www.libero.se/eco-actions">www.libero.se/eco-actions</a> , <a href="http://www.libresse.com">www.libresse.com</a> , <a href="http://www.tena.com">www.tena.com</a> ) Product safety (41) Chemicals (41)
<b>Employees</b>	Training Feedback	Talent management Performance management Workforce planning Compensation and benefits Corruption Health and Safety	Code of Conduct training (49) OHSAS 18001 certification (52) All employee survey (56) Diversity survey (57) Global Performance Management System (57)
<b>Investors</b>	SRI questionnaires One-on-one meetings Telebriefings Analyst interviews Roadshows Field visit	ESG integration into business strategy Energy efficiency Risk management	Inclusion in sustainability funds and indexes (23) CO <sub>2</sub> target (32) ESAVE (32) Code of Conduct audits and Business Practice Reviews (47) Risk analysis (AR 56)
<b>Suppliers</b>	Supplier audits Supplier questionnaires	Raw material sourcing	Sourcing target (36) Supplier guidelines and standards (50) Supply chain assurance (50) Sedex reporting (50)
<b>NGOs</b>	Ongoing dialog	Forest management CO <sub>2</sub> emissions Energy utilization Water supply	FSC commitment (10) Dialog with NGOs, such as WWF and the Swedish Society for Nature Conservation (11)
<b>Society</b>	Participation in industry initiatives and standardisation bodies Ongoing dialog Community involvement	SCA's dialog with society Community involvement	Public affairs (10) Stakeholder dialog (10) Membership in organizations (11) Community relations initiatives (58)



In 2012, SCA developed a more systematic and coherent approach to public affairs and stakeholder engagement, conducting a risk mapping and prioritization of key public policy issues and challenges likely to impact the SCA Group over the next five years. The results are used to support future strategy development and related advocacy. SCA has a dedicated global public affairs function across all business units. Its aim is to monitor policy and legislative developments and identify opportunities to engage in ways that can lead to a successful outcome for all relevant stakeholders.

#### Understanding stakeholder concerns

SCA has a broad product portfolio and a diverse range of customers, both end consumers and customers, such as retailers, companies, distributors, printing houses and healthcare institutions. With such a varied customer base, relationships are managed by the business units, with support from the Group. SCA seeks to meet or exceed customers' expectations and to gain insight into the issues that are important to them. In order to gauge customers' assessments of SCA, customer satisfaction surveys are conducted and followed up

by all business units. Two relevant examples include a customer satisfaction survey in Italy with pharmacies and homes for the elderly on incontinence care, and SCA Timber customer surveys in the UK.

In-depth consumer insight reveals issues of concern. SCA also conducts quantitative market research and consumer visits in people's homes to learn about their lives and interests. In North America, SCA completed a survey in which 53% of consumers surveyed said they prefer recycled napkins in restaurants. SCA's numerous consumer hot lines and its complaint-handling procedures also provide valuable input for the company's operations.

To reach out to other key stakeholder groups, both internally and externally, SCA continuously engages in dialog with non-governmental organizations (NGOs), regularly meets with investors and analysts, and conducts employee satisfaction surveys. In addition, the company holds discussions with other groups and individuals on matters that impact both broader societal challenges and local communities, for instance, with the Sami communities that utilize parts of SCA's forestland in northern Sweden for reindeer husbandry.

#### Hygiene and healthcare

A key focus of SCA's engagement with society concerns hygiene and health and SCA's related products and services. The focus is on reaching out to key opinion leaders in healthcare, in particular elderly care, SCA works to support the development of sustainable incontinence care and hygiene promotion programs. The World Health Organization (WHO) has classified incontinence as a set of diseases. The classification entails that incontinence care products can be prescribed at a subsidized price or free of charge, signifying major improvements in countries where such aids were previously not offered, for example, in certain Eastern European countries and the Asia Pacific Region.

As governments are important customers and stakeholders for SCA, the global public healthcare debate is of primary concern to the company, particularly as patient-centered care, community care and other healthcare models that benefit patients and reduce healthcare costs are further developed. SCA works to actively communicate with decision makers in countries where new structures are being built. For instance, SCA is working to strengthen relationships with the Chinese Ministry of Health as

new service models for elderly care are further developed (see p. 24). Similar outreach occurs globally, with activities initiated in 2012 in South Korea and many European countries facing the challenges of an aging population.

SCA takes its responsibility in the field of care for people suffering from incontinence as a major priority. The company is committed to raising the awareness of incontinence and creating better provisions for people with this condition, within the health and social care systems of the different countries. One of the ways of achieving this is SCA's support to the Global Forum on Incontinence (GFI). The GFI is a platform for education and debate around incontinence care for stakeholders in the incontinence care arena, including medical experts, policymakers and sponsors.

In April 2012, SCA hosted the 4th Global Forum on Incontinence in Copenhagen. This event was attended by more than 450 people from around the world, including governmental representatives, policymakers, health insurance companies, leading clinicians, patient and care organizations, and other stakeholders. A faculty of world opinion leaders from globally recognized centers of excellence presented the latest

data, trends and opinions around the agenda "Strategies through life – an integrated approach to incontinence care."

#### Forests at the center of debate

As Europe's largest private forest owner, SCA considers that it has an important role to play in engaging with stakeholders on a variety of issues, such as illegal logging, forest certification, and related environmental policy and legislation. With Europe as SCA's main market, and the European Union's leading role in developing environmental regulation with global impacts, many of the company's efforts are directed towards EU institutions.

With SCA being one of the largest provider of FSC-certified (Forest Stewardship Council) forest products globally, fiber sourcing policies and forest certification programs are a critical issue. SCA seeks to have a prominent voice on these issues and, in 2012, SCA Sustainability Director Hans Djurberg was named as a member of the board of FSC International. FSC is regarded by many as one of the leading platforms for certification, both globally and nationally.

In 2012, SCA joined the World Business Council for Sustainable Development, WBCSD,





SCA supports the Global Forum on Incontinence, a platform for education and debate around incontinence care.

### Memberships

SCA is a member of a large number of associations, organizations and networks that discuss issues material to the Group's business. These include:

- The World Business Council for Sustainable Development (WBCSD)
- The UN Global Compact and Global Compact Nordic Network
- Forest Stewardship Council (FSC) International and the Swedish branch of FSC
- Confederation of European Paper Industries (CEPI)
- The Swedish Forest Industries Federation (SFIF)
- Programme for the Endorsement of Forest Certification International (PEFC)
- European Disposables and Nonwovens Association (EDANA)
- European Tissue Symposium (ETS)

- International Water Association
- Consumer Goods Forum (CGF)
- European Branded Goods Trade Association (AIM)
- European organisation for medical devices (EUCOMED)
- The Human Rights network in Sweden

SCA is also active through the appropriate trade associations in standardization activities in ISO (International Organization for Standardization), and CEN (European Committee for Standardization).

and is a member of their Forest Solutions Group. The group is engaged in multi-stakeholder dialogs driving a broad spectrum of sustainability initiatives at all stages of the forest product supply chain. Increasing competition for food, fuel, fiber, forests and fresh water pose critical challenges to the forest sector. Sustainable forest management is essential to meet future demands for forest-based products while preserving biodiversity and forest ecosystems and guaranteeing the continuous provision of their services.

As a member of the Royal Institute of International Affairs, Chatham House, SCA has been involved in discussions around steps to prevent illegal logging and the implementation of the EU Timber Regulation, due to come into force in 2013. It prohibits operators from placing illegally harvested timber and timber products on the European market.

For issues of specific importance to the company, SCA works directly in cooperation with regulatory and public bodies. Examples of this are the wind power projects in northern Sweden and the substantial biofuels business.

With its growing forest-based biofuels business, SCA is involved in discussions and stake-

holder dialog in the broader energy policy debate and supports the move towards a bio-economy. SCA recently joined the European Bio-based Industries Public-Private Partnership. Its aim is to spur sustainable growth and boost Europe's competitiveness by building new value chains based on the development of sustainable biomass collection and supply systems.

Every year, SCA also holds dialogs with environmental NGOs that share concerns for the sustainable management of forests and other environmental issues. These include the Swedish Society for Nature Conservation, and the World Wide Fund for Nature (WWF).

### Other environmental concerns

Climate change is high on the agenda of SCA stakeholders and the company closely follows developments. SCA participates in the EU Emissions Trading System and tracks developments and emerging policies within the climate debate. Sustainable consumption and production are also rising concerns for both SCA and society.

As a major consumer goods company working with many fiber-based products, global recovery and recycling policies are of importance to the company. In addition, with increasing global consumption of paper and tissue-based products, post-consumer waste is an issue that SCA considers to be of importance in the coming years.

SCA is engaging in multi-stakeholder solutions to address the issue (see p. 40).

# SCA's choice of direction and priorities – a materiality analysis

Our materiality analysis determines the issues that are significant for the company and forms the foundation for SCA's sustainability efforts. The 2012 analysis is based on a survey of 450 internal and external stakeholders in combination with SCA's own assessment of the strategic importance of the areas.

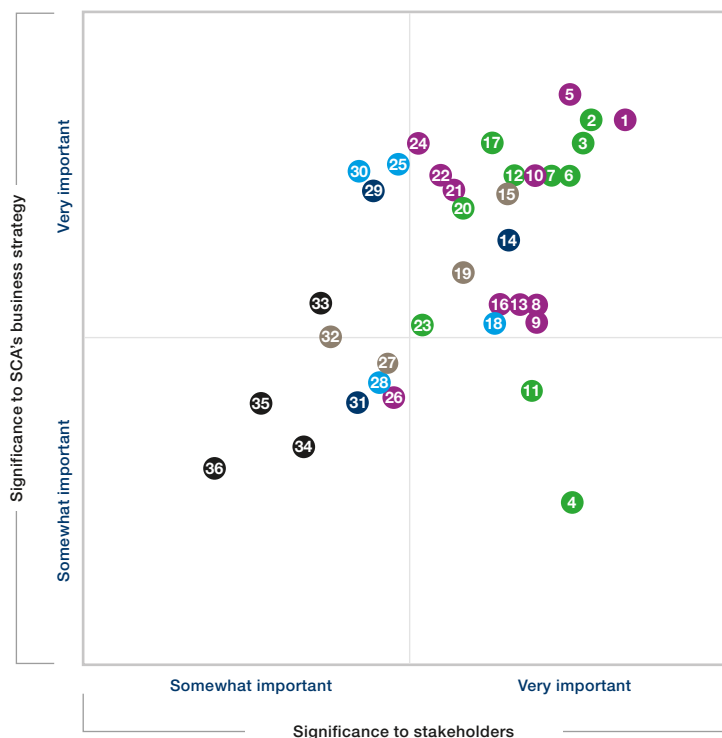
The subject areas included in the study were chosen in accordance with such governing documents as the Global Reporting Initiative, the UN Global Compact, SCA's Code of Conduct and SCA's own assessment. SCA had previously carried out materiality analyses in 2008 and 2010.

1

**Human rights** was the area ranked highest by all stakeholders in the 2008, 2010 and 2012 surveys. Human rights has been assigned the highest priority by SCA. SCA's Code of Conduct is based on the UN Declaration of Human Rights, ILO Core Conventions and the OECD Guidelines for Multinational Enterprises, thereby guiding SCA and its suppliers. The company has systems in place to monitor compliance with human rights.



Topic	
1 Human rights issues, including child labor and forced labor	●
2 Emissions to air and water	●
3 Product quality and safety	●
4 Use of hazardous chemicals in manufacturing	●
5 Occupational health and safety	●
6 Innovation	●
7 Energy and raw material consumption	●
8 Diversity and non-discrimination	●
9 Waste management (production waste)	●
10 Customer service	●
11 Water management	●
12 Corruption and bribery	●
13 Workforce training and development	●
14 Environmental performance of products	●
15 Labor rights	●
16 Renewable energy	●
17 Forest management	●
18 Transparency	●
19 Risk and crisis management	●
20 Climate change	●
21 Talent attraction and retention	●
22 Financial performance	●
23 Post-consumer waste (used tissue, diapers, etc.)	●
24 Hygiene sanitation	●
25 Biodiversity	●
26 Community relations	●
27 Freedom of association and collective bargaining	●
28 Transports	●
29 Supply-chain management	●
30 Active stakeholder dialog	●
31 Certification – environmental, quality and health & safety	●
32 Investment and procurement practices	●
33 Corporate governance	●
34 Policies and regulations	●
35 Performance management systems e.g. EMS	●
36 Business and organizational restructuring	●



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

● Strategy      ● Social responsibility      ● Control and assurance  
● Environmental responsibility      ● Economic responsibility

3



2

**Emissions to air and water** was ranked second highest by stakeholders in terms of importance. SCA has worked systematically with these issues for many years and has established targets for reductions in carbon dioxide emissions and water usage as well as for wastewater treatment.



3

Stakeholders placed **Product quality and safety** in third position. SCA has also assigned this high priority, particularly as many of the company's products come into close contact with people's skin.



24

**Hygiene and sanitation** are deemed to be of lesser importance by stakeholders. The subject is broad, making it difficult to assess, but because 80% of SCA's business comprises hygiene products, it is of the highest importance for the company's future development.

4

**Use of hazardous chemicals in manufacturing** is considered very important by stakeholders. SCA ranks this area lower than its stakeholders since the most dangerous chemicals are not used in SCA's operations and a well-developed system is in place to ensure the safe handling of chemicals.



30

**Active stakeholder dialog** is not as highly ranked by our stakeholders as it is by SCA. SCA considers a systematic stakeholder dialog crucial to understanding and predicting the expectations of the external environment and customers, which is vital to ensure future growth and profitability.

A total of 450 customers, suppliers, investors, media, NGOs and SCA employees participated. Survey respondents were asked to assess the importance of various sustainability issues.

In the 2008 and 2010 materiality analyses, SCA presented external and internal stakeholders on the x and y axes, respectively. This year's results have been amalgamated into a single axis – what stakeholders consider important. This result has been combined with SCA's own assessment of how important the area is for the company's business strategy and expressed as coordinates in the materiality analysis.

The reason for the change is because earlier surveys have shown that the opinions of internal and external stakeholders largely coincided, which was also the case in the 2012 survey – the greatest differences of opinion could be noted for Use of hazardous chemicals in manufacturing, Management of production waste and Energy and raw material consumption, which internal stakeholders believed were more important than external stakeholders, while external stakeholders thought that Corruption and bribery was more important than their internal counterparts.

However, the results did not always coincide with what is of material or strategic importance for SCA. For example, child labor is an area to which both internal and external stakeholders attach great importance. SCA naturally strongly distances itself from child labor, but because the risk of child labor in operations is considered small, SCA has assigned it a lower ranking. SCA has processes in place to monitor its own and its suppliers' operations.

The results from this study seem reasonable and relevant and have provided SCA with support in its work to prioritize the content of the sustainability report and its future sustainability initiatives.



# Strategy

## Strategy

SCA is a leading global hygiene and forest products company. SCA's strategy is based on a sustainable business model where value creation for people and nature is equivocated with growth and profitability to ensure a successful company in both the short and long term. A continuous stakeholder dialog and a comprehensive risk analysis lay the foundation for the strategic priorities. Three strategic priorities are in focus to deliver on the strategy: efficiency, innovation and growth. Efficient processes are a part of SCA's endeavor to reduce costs, improve capital efficiency and increase cash flow. A higher pace of innovation, based on customer and consumer insight, improves SCA's competitiveness and strengthens and differentiates the offering. SCA has the ambition of growing in both mature and emerging markets.

Increasing the hygiene business' share of the SCA Group is a strategic direction to reduce sensitivity to economic fluctuations and thereby ensure a more long-term stable level of profitability and growth. In 2012, SCA acquired Georgia-Pacific's European tissue operations and the Asian hygiene business Everbeauty. The Group divested its packaging business, excluding the two kraftliner mills in Sweden. In addition, the 50% holding in the newsprint mill in Aylesford, UK, was divested and an agreement was signed regarding the sale of the publication paper mill in Laakirchen, Austria.



### Efficiency

SCA operates in an intensely competitive market and a continuous focus on cost efficiency is vital to ensure continued competitiveness. Reducing costs and increasing capital efficiency is important to improve cash flow and value creation.

Enhanced capital efficiency, lower costs and strengthened cash flow are achieved through restructuring, efficiency enhancement, savings measures and optimization of capital employed in all parts of the Group. More efficient production provides lower costs and in most cases positive environmental effects. One example of this is the 1,700 small-scale energy-saving activities carried out by the Group in recent years, resulting in a reduction in carbon dioxide emissions and annual savings of about SEK 700m.

SCA leverages synergies between operations and improves productivity and the supply chain, while it also discontinues non-competitive units.

Global functions in the hygiene operations relating to, among other areas, innovation and brand activities, as well as production, generate cost synergies and enable efficient resource allocation.

During the year, SCA launched an efficiency program in hygiene and forest products operations.



### Innovation

SCA's presence in some 100 countries combined with local innovation centers around the world, form the basis for innovation activities that are founded on extensive insight into customer and consumer needs – today and in the future. Innovation is a means of developing and differentiating SCA's products and services, retaining and strengthening market positions, building strong brands, driving growth and profitability by expanding the offering to existing customers in existing markets, and attracting new customers in new markets. Sustainability aspects and product safety are high on the agenda of customers and consumers and, consequently, so is the development of new products and services. Innovation work is an important tool for developing sustainability programs and helps to satisfy the growing demand for sustainable and safe products. Special focus is also reserved for identifying new and more cost-efficient and sustainable production solutions and processes. New innovations enable improved resource utilization and reduced environmental footprint.

For the hygiene operations, the strategic direction is to increase the pace of innovation, capitalize on global economies of scale and ensure that all segments have a competitive and balanced portfolio of innovations. Particular focus is given to exploring the possibilities of broadening the product portfolio.

In Forest Products, the strategic focus is to increase the value for customers and identify new alternative fields of application for existing products.



### Growth

SCA has strong leading positions in Europe, North America, Latin America and Asia. Through strong global and regional market positions and brands, innovation, efficient production and world-leading sustainability work, SCA is well positioned to leverage the growth potential existing in both mature and emerging markets. SCA's competitiveness is also supported by the Group's broad product portfolio, with strong brands and raw material integration.

SCA aims to be the leading company in the markets that it serves. All operations in mature markets, such as Western Europe and North America, will continue to strengthen their positions. In addition to defending and reinforcing its position in mature markets, the aim is to advance positions in emerging markets, primarily in regions where SCA already has representation.

While growth will mainly be organic in old and new segments, acquisition-driven growth will also be pursued. In existing markets, the aim is to continue growing by, for example, broadening the offering of product categories, product ranges and services. A strategic priority is also to increase the number of global brand platforms. During the year, SCA strengthened its market positions in Europe and Asia through the acquisitions of Georgia-Pacific's European tissue operations and the Asian hygiene company Everbeauty.



## SCA's people and nature ambitions

In 2012, SCA presented a number of new sustainability ambitions and targets based on the factors that the company believes are most relevant to SCA and its stakeholders. While the ambitions describe the long-term vision, the targets are more specific and measureable and comprise steps along the path toward achieving the stated ambitions. The ambitions for people and nature represent a living tool to drive development forward and in the right direction. New circumstances may require new targets and, as these are fulfilled, they will be closed or replaced with new ones.

### People ambitions

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

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

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

### Nature ambitions

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

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

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

# Targets and outcome

## Hygiene solutions



### TARGET

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

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

### OUTCOME 2012

- SCA holds the number one or two position in at least one hygiene product category in nearly 80 countries.
- We conduct hygiene training programs in all product categories on all continents.
- SCA offers a broad portfolio of products ranging from the premium segment to the economy segment.
- Our products are distributed to both major corporate customers and to small local stores. Our 14 TENA online stores are examples of how the company works to make our products more accessible.

Status:

pages **24–25**  
and **58–59**

## Sustainable innovations



### TARGET

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

### OUTCOME 2012

- We defined criteria for sustainable product and service innovations.
- A number of innovations were evaluated in accordance with these criteria.
- We launched several sustainable innovations, including TENA Solutions, Tork Easy Handling, and GrapholInvent.

Status:

pages **26–29**

## Code of Conduct



### TARGET

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

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

### OUTCOME 2012

3. A total of 73% of SCA's global hygiene supplier base and 65% of its forest product's supplier base had committed to adhere to the SCA Global Supplier Standard.

Status:

4. 87% of employees had received Code of Conduct training.

Status:

pages **46–51**

## Employee Health & Safety



### TARGET

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

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

### OUTCOME 2012

5. The accident frequency rate, including acquired sites, amounted to 8.5% (7.1).

Status:

6. By the end of 2012, 28% of SCA's main sites were certified according to OHSAS 18001.

Status:

pages **52–55**

### Status:

- = Off plan
- = Off plan, actions identified
- = On plan

5

## Climate &amp; energy

**TARGET**

1. We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.
2. We will triple our production of biofuels from our forests by 2020, with 2010 as reference year.
3. The production of wind power on SCA forest land will increase to 5 TWh by 2020, with 2010 as reference year.

**OUTCOME 2012**

1. By year-end 2012, CO<sub>2</sub> emissions had declined by 10.4% in relation to the production level.  
Status:
2. Energy production from SCA's forest-based biofuels in 2012 was approximately 890 GWh (870 GWh in 2010).  
Status:
3. 0.4 TWh of wind energy from SCA forest land was delivered to the grid. The first turbines from the Statkraft SCA joint venture SSVAB were established this year.  
Status:

pages 32–35

## Fiber sourcing &amp; biodiversity

**TARGET**

4. We will achieve and maintain our target of zero fresh fiber-based material from controversial sources\*, including pulp.
5. We will preserve the biodiversity of our forests. A minimum of 5% of our productive forest land will be set aside from forestry in our ecological landscape plans and a further 5% will be set aside as part of our consideration for nature in our managed forests.

**OUTCOME 2012**

4. All deliveries of pulp to SCA facilities met the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.  
Status:
5. Nearly 7% of SCA's productive forestland is set aside from forestry in ecological landscape plans. Furthermore, 12% of the 18,500 hectares planned for harvesting was set aside for preservation.  
Status:

pages 36–38

## Water

**TARGET**

6. We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as reference year.
7. All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

**OUTCOME 2012**

6. By year-end 2012, water usage in water-stressed regions declined by 3.4%.  
Status:
7. Of the Group's 40 pulp and paper mills, mechanical and biological effluent treatment is installed, or in the process of being installed, in 39 plants.  
Status:

page 39

## Financial targets

**TARGET**

The target for return on capital employed is 13% over a business cycle. For Personal Care, the target is 30%, for Tissue, the target is 15% and for Forest Products, the target is in the upper quartile of the industry.

**OUTCOME 2012**

The overall return on capital employed was 10%. For Personal Care, it amounted to 28%, for Tissue to 13% and for Forest Products to 4%.

pages 8–9  
in the Annual Report

\* Controversial sources are defined as:

- Illegally logged timber.
- Timber from forests with a high conservation value.
- Timber from areas where human rights or traditional rights of indigenous people are being violated.



# SCA's value chain

SCA utilizes a value-chain perspective to identify and address the most relevant environmental, social and economic issues. This approach provides an overview of SCA's impact, where it arises and is at its greatest and the manner

in which the various areas affect each other. In this way, we better understand the implications of the Group's impacts and the importance of engaging in dialog with stakeholders to better address relevant issues. This helps us establish

## Water management

SCA uses water to transport fiber during the paper production process and as cooling water, with the breakdown between the two being 60–40. SCA's goal is to reduce water use in facilities located in regions that suffer from water shortages. Read more on page 39.

## Climate change and carbon emissions

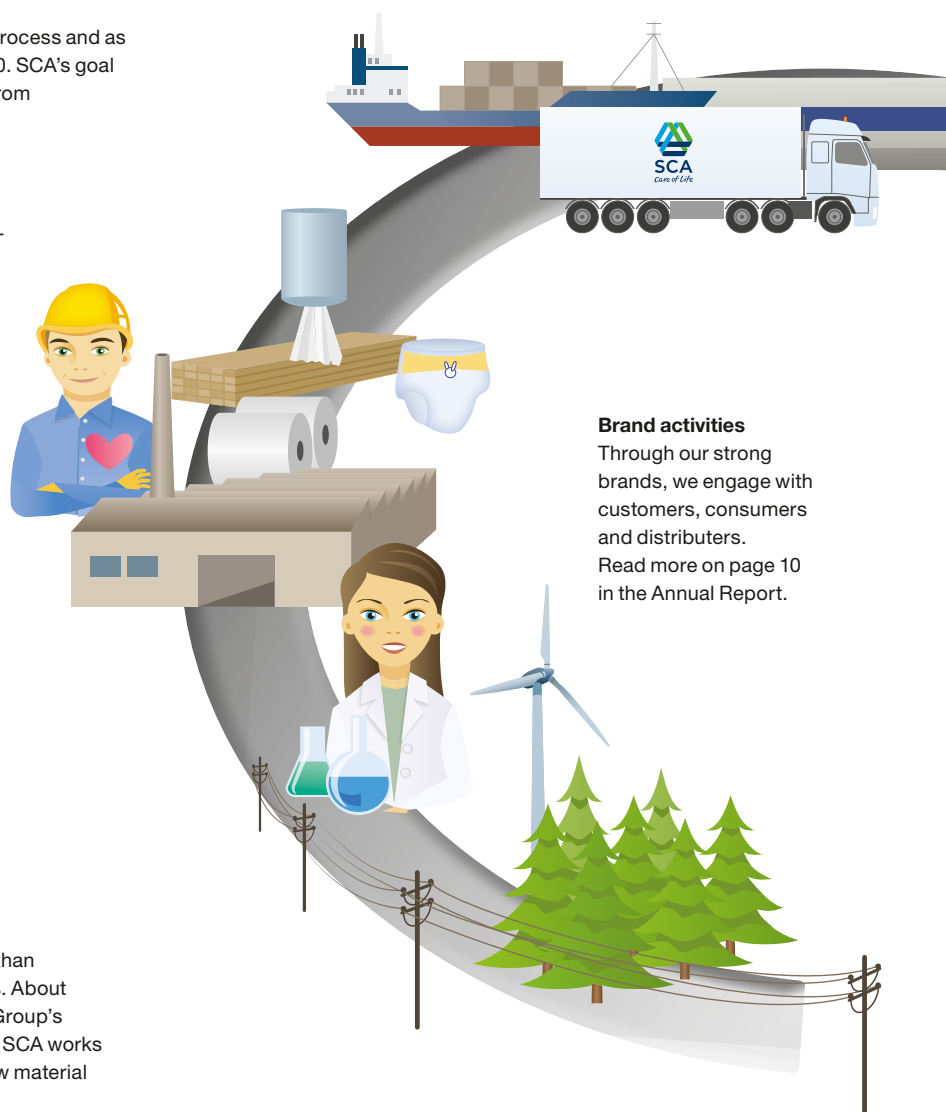
The Group's use of fossil fuels together with emissions from purchased electricity are the major sources of its carbon dioxide emissions, followed by transport activities. Most of SCA's emissions from its fossil fuel usage derives from its tissue production while a smaller proportion (below 10%) is derived from production of publication papers, pulp and sawn timber. SCA's personal care plants account for less than 1% of the company's carbon footprint. The majority of the climate impact in the production of tissue and forest products is generated in SCA's own production processes, while for personal care products, this occurs mainly in the raw material phase, meaning at suppliers. SCA works continuously to reduce emissions in its own manufacturing and in cooperation with raw material suppliers, to minimize its climate impact. Read more on page 32.

## Sustainable forestry

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land. Nearly 7% of this area has been reserved in ecological landscape plans to preserve the biological diversity of the Group's forests, and at least a further 5% is set aside in conjunction with harvesting. The forests have a net growth of 1% per year, corresponding to carbon sequestration of 2.6 million tons annually. This is higher than the carbon emissions generated by SCA's combined operations. About 50% of the wood raw material used by SCA is derived from the Group's own forests and is thus under the direct control of the company. SCA works along the entire supply chain to guarantee 100% responsible raw material sourcing. Read more on pages 36 and 38.

## Brand activities

Through our strong brands, we engage with customers, consumers and distributors. Read more on page 10 in the Annual Report.



priorities so that we minimize our environmental impact and maximize the positive value for shareholders.

The value chains for personal care, tissue and forest products vary in a number of respects, requiring the com-

pany to focus on different issues within the various business areas. The issues deemed to be of particular significance to the value chain are described here.

### Respect for human rights and business ethics

Honesty and integrity in relationships with customers, suppliers, employees and organizations, in addition to respect for human rights, are fundamental parts of SCA's entire business. By assessing compliance with the Code of Conduct and business ethics, the Group monitors its own operations. Through the supplier standard and supplier audits, SCA unequivocally shows the demands and expectations it has in relation to its suppliers, thereby gaining the trust of its customers. It is essential to minimize the risks throughout the value chain. Read more on page 46.

### Health and safety

The provision of a healthy and safe workplace has been assigned high priority at SCA and is in line with the expectations of customers and consumers. By having employees who feel safe and are well trained in health and safety procedures, SCA enhances productivity and reduces the number of workplace accidents. Read more on page 42.

### Innovation and product management

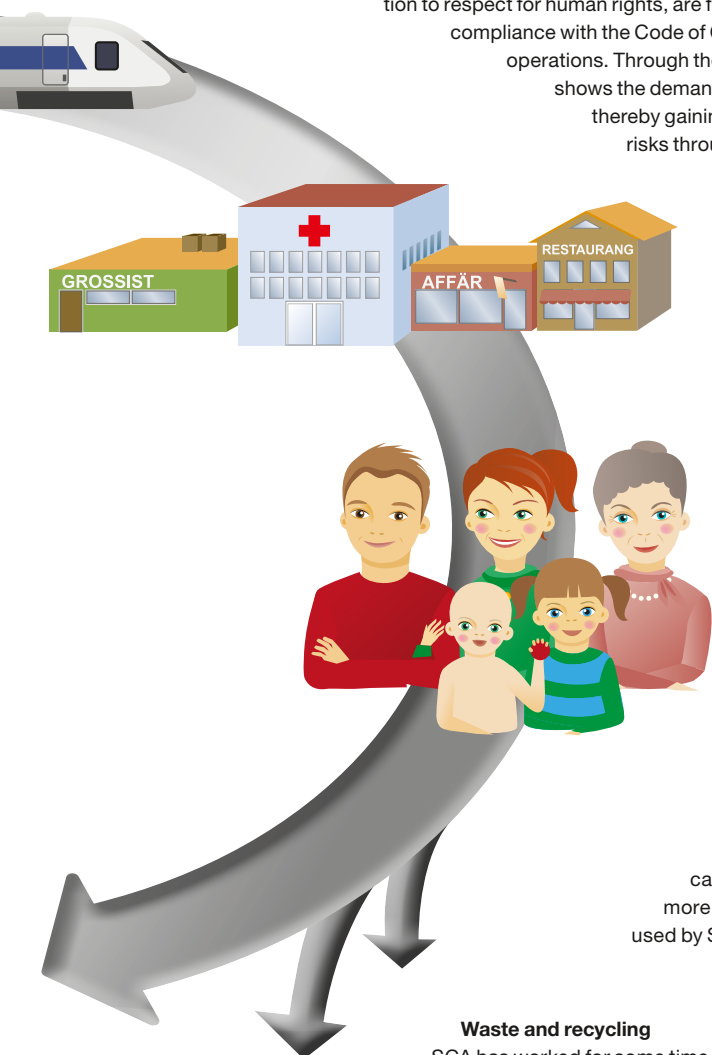
Innovation is one of SCA's strategic priorities and is relevant to all parts of the Group's value chain. Dialog with customers and consumers helps SCA to better understand user needs and to deliver more insightful innovations. Sustainability, product quality and product safety are factors of major significance for SCA's customers and consumers and are thus decisive drivers in SCA's innovation activities. Using the Group's lifecycle perspective as the starting point, SCA strives to achieve resource efficiency and reduced environmental impact, as well as contributing to people's quality of life. Read more on page 26.

### Transport activities

Transport activities account for approximately half of SCA's carbon dioxide emissions. More efficient and coordinated freight, more compact packaging and eco-driving are some of the methods used by SCA to reduce its environmental impact. Read more on page 33.

### Waste and recycling

SCA has worked for some time now to reduce its production waste. About two-thirds of the waste is recycled either into new products as a raw material for other industries or is used to generate energy. As much as 70% of European newspapers are currently recycled. Diapers are an example of a product that is best recycled by being incinerated. SCA is participating in projects aimed at identifying new ways to reduce consumer waste. Read more on page 40.



# Economic value creation

For SCA, sustainability is central in the work to generate economic value. Our contribution to economic development is measured by both the direct and indirect economic impacts of our business on all of our stakeholders.

SCA provides hygiene and forest products to its customers and consumers, fair pay and other benefits to employees, tax revenue to governments and municipalities, payment for delivered goods and services to suppliers, and dividends and share price appreciation to shareholders. SCA contributes to the economic prosperity of society in its capacity as a major employer in many regions and through its community involvement.

Sustainability activities enhance SCA's competitiveness and contribute to healthy and long-term business relationships. Our cost-efficient hygiene solutions improve the quality of life of millions of people around the world, thereby entailing reduced costs for healthcare systems. SCA shares its know-how in the area of hygiene because it knows that improved hygiene results in healthier human beings.

Incorporating a sustainability perspective into innovation activities contributes to resource efficiency, which in turn leads to reduced costs and a smaller environmental footprint. Meanwhile, customer and consumer demands for better, safe and environmentally compatible products are driving development toward sustainable innovations.

Read about our economic value creation:

<p>Hygiene solutions</p> 	<p>Sustainable innovations</p> 	<p>Financial targets</p> 
<p>pages <b>24–25</b></p>	<p>pages <b>26–29</b></p>	<p>pages <b>8–9</b> in the Annual Report</p>



*"For me, creating value is what makes the difference. We produce products that put the smile back on the faces of the elderly and the people who care for them. The products we produce come from sustainable forests that help to combat global warming. This creates value for people and nature."*

**Wesley Chiu,**  
General Counsel, China





# Mapping economic impact across the value chain

SCA affects a broad range of stakeholders. We have an economic impact on society and create opportunities for customers, suppliers, employees and society.

## Supply chain

Maintaining transparent and long-term relationships with suppliers is essential to ensure high quality and financial stability for both parties.

Sourcing represents the single largest expenditure item for SCA – corresponding to 65% (71) of sales. In 2012, the Group purchased raw materials and services for some SEK 55,540m (77,197). Many input goods, such as paper pulp, electricity and chemicals, are global commodities and are largely purchased centrally, with the aim of achieving economies of scale.

Wood-based raw materials are goods that are almost exclusively purchased locally. Nearly all of the fresh fiber acquired and used in the Swedish mills are purchased from local suppliers. This provides substantial economic contributions to local suppliers and the local economy.

Enhancing suppliers' skill sets also adds value. SCA trains and supports suppliers in hygiene operations and provides forest contractors with guidance in such areas as quality, safety, environmental performance and Code of Conduct.

## Investing in people

SCA generates value for its employees through the wages it pays and competence development opportunities it provides.

In 2012, employee salaries totalled SEK 12,241m (15,046), and social security costs amounted to SEK 3,446m (4,297). As a principle, the Group pays competitive remuneration to its employees and follows local wage structures, assuming that these terms are not below internationally established rules for minimum salaries and reasonable compensation. In all the reporting countries, SCA pays above the legislated minimum pay. The company may pay minimum wages in certain individual circumstances, for example, in connection with summer jobs, student pay, and so forth.

The Group also contributes to pension plans. SCA has both defined-contribution and defined-benefit pension plans. The most significant defined-benefit plans are based on the period of employment and employee salaries at, or just prior to, retirement. The total net cost for pensions in 2012 amounted to SEK 428m (358). For further information, see Note 26 in the SCA 2012 Annual Report.

With local production, SCA creates work opportunities for many people. In 2012, 11,509 (12,339) were employed by SCA in Eastern Europe, Asia and Latin America, receiving SEK 1,430m (1,563) in salaries.

SCA often chooses to enter an emerging market through joint ventures. The combination of deep market knowledge, retaining local management and SCA's technological know-how, economics of scale, etc. has a generally favorable impact.

## Raising customer value

SCA has a range of customers – from end-consumers of SCA products to business-to-business customers that include retailers, distributors, printing houses, and healthcare institutions. SCA's practices and products help business-to-business customers reduce their risks and add value to their brand. By jointly pursuing product efficiency and innovation targets, SCA and its customers deliver high-quality products that fulfil and exceed consumers' needs and expectations.

## Contributions to national economies

SCA also contributes to local communities by paying taxes and employing people in the countries in which the company is active. In 2012, SCA paid SEK 1,193m (961) in income taxes globally. In addition, SCA pays property taxes, payroll overheads, pension taxes, customs duties, energy taxes and indirect taxes.

## Value created by stakeholder in 2012

Taxes paid, 1% (SEK 1,193m) .....  
 Interest paid to creditors, 2% (SEK 1,264m) .....  
 Dividend to shareholders, 4% (SEK 2,997m) .....  
 Employee social security costs, 4% (SEK 3,446m) .....  
 Remaining in the company, 10%\* (SEK 8,727m) .....  
 Employee salaries, 14% (SEK 12,241m) .....  
 Suppliers, 65%\*\* (SEK 55,540m) .....



\* Current expenditures, restructuring costs, strategic investments and acquisitions.

\*\* Raw materials, transport and distribution, energy and other cost of goods sold.

# Sustainability builds shareholder value

As investors increasingly make the connection between sustainability and long-term value creation, SCA is well positioned to deliver on expectations for sustainable growth for its shareholders.

Sustainability is a core part of SCA's business strategy and investors are taking notice. SRI investors (Socially Responsible Investment) have long taken Environmental, Social and Governance (ESG) indicators into account when assessing SCA's value but today, a growing number of mainstream investors are also looking more closely at these performance aspects.

Sustainability has a strong role in a profitable business; for example, in the form of a product portfolio that makes SCA's customers achieve their sustainability targets and makes consumers feel secure in their choice. The growing demand from customers for FSC-certified products is one such example. SCA's focus on reduced energy consumption to reach its climate and energy target also benefits the bottom line. Strong sustainability performance generates growth opportunities in emerging markets, such as SCA's dialog and collaboration in China on improving elderly and incontinence care. Investors in particular recognize that sustainability spurs innovation and strengthens the brand.

There was a large amount of interest in our sustainability programs from investors in 2012. SCA regularly holds meetings, attends conferences, and organizes roadshows to maintain contact with investors, including SRI investors. Sustainability is integrated into investor presentations.

Yet there is a need for more quantifiable and comparable data to measure not only the environmental but also the more elusive social and governance indicators and their impact on economic performance. Organizations such as the

GRI and the International Integrated Reporting Council (IIRC) are looking at developing new reporting systems. As a member of the World Business Council for Sustainable Development, SCA is involved in discussions on developing integrated reporting.

Major institutional investors (such as certain pension funds) often add environmental and social parameters to their risk analyses, while a number of sustainability funds have a strategy of only investing in companies that are among the best from an environmental, social and economic perspective. SCA is included in 96 (83) European sustainability funds, making it one of the most frequently occurring companies in these funds.

## Shareholder facts & figures

SCA generates value for shareholders through dividends and share price appreciation. Normally, about one-third of cash flow from current operations, after interest expenses and taxes, over a business cycle is used for dividends. Over the past ten years, the dividend has increased by an average of 3.5% annually. The Board has proposed a dividend of SEK 4.50 (4.20) for 2012.

The 2012 closing price on the Nasdaq OMX Stockholm for SCA's B share was SEK 141. This corresponds to a market capitalisation of SEK 99bn. Since the beginning of 2012, the share price rose 38%, while the Nasdaq OMX Stockholm rose 12% during the same period.

At year-end 2012, SCA had 78,854 registered shareholders. The largest owners are Industrivärden AB, Handelsbanken and Norges Bank Investment Management.

Consolidated net sales for 2012 amounted to SEK 85,408m (81,337), up 5% (11% excluding exchange rate effects and divestments). The Hygiene operation grew by 15% while Forest Products' sales declined by 8%.

Operating profit, excluding items affecting comparability, increased by 12% (17% excluding exchange rate effects and divestments) to SEK 8,646m (7,738). Operating profit (excluding exchange rate effects, divestments and items affecting comparability) for Personal Care and Tissue rose by 28% and 50%, respectively, while Forest Products declined by 46%. The Group's operating cash flow improved by just over SEK 2bn and amounted to SEK 9,644m.

## In the rankings

SCA is assessed annually by several ranking institutes and in 2012 was included in:

- The Dow Jones Sustainability Indexes (DJSI), which track the financial performance of the leading sustainability-driven companies worldwide.
- The Ethisphere Institute's list of the world's most ethical companies.
- The FTSE 4Good, an index measuring earnings and performance among companies that meet globally recognised norms for corporate responsibility. SCA was included as a supersector leader in the FTSE4Good ESG ratings, with a supersector-relative score of 99 out of 100.
- The Carbon Disclosure Leadership Index, which recognizes companies with the best carbon reporting practices and performance to tackle climate change.
- SCA ranked third in the Fortune list of the world's most admired forest and paper companies.
- The German Global Challenges.
- EPCI Euro Ethical Equity and EPCI Global Ethical Equity.
- Ethibel Sustainability Index Excellence Europe.
- The OMX GES Sustainability Nordic and OMX GES Sustainability Sweden indexes.

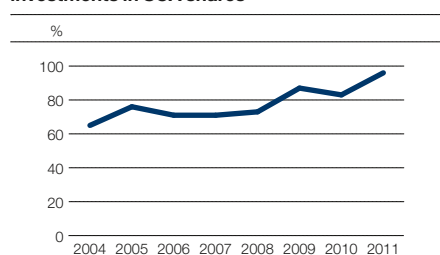
## Largest shareholders

	% of votes	% of shares
Industrivärden	29.7	10.0
Handelsbanken*	14.6	4.5
Norges Bank Investment Management	8.1	7.5
Skandia	2.0	0.5
Swedbank Robur funds	1.1	2.5
AMF – Insurance and Funds	1.1	2.5
SEB Funds & SEB Trygg life insurance	1.0	1.4
Capital Group funds	0.8	1.7
SCA Employee Foundation	0.6	0.1
Skagen funds	0.5	1.1

\* Including funds and foundations.

Source: SIS

## Number of European sustainability funds with investments in SCA shares



# A shared value proposition

SCA seeks to create economic value for the company in a way that also creates shared value for people and nature by addressing key social and environmental needs. Customers, consumers, suppliers and others in the SCA value chain all benefit from this holistic, long-term perspective.

Economic value creation derives from exceeding customer expectations and helping customers meet their own targets. Customers increasingly demand safe products with no hazardous ingredients, produced safely and under decent working conditions and that have minimal impact on the environment. Consumers expect companies to have insight into and appreciation for their needs and priorities. Society, including governments and other decision makers, expect the private sector to help address larger social challenges. Engaging on all fronts, with sustainability as the engine of economic value creation, builds confidence in the Group's consumer brands, its thought leadership and ability to bring positive solutions to the table.

A primary way in which SCA works towards solutions is in the area of hygiene, which represents 80% of its business. The company has set a target to make its knowledge about hygiene available to customers and consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life. This means providing information on hygiene matters around SCA products and services, implementing education programs for girls, women, children and caregivers, and offering the best value for consumers by making hygiene solutions more affordable. Read more about SCA's hygiene programs on page 58.

## An aging population

Many developed and emerging countries are facing rapidly aging populations. The problem of incontinence and other health issues related to aging will only increase. According to the UN, the elderly population (>60 years) is expected to swell by 200 million within ten years, past the one billion mark and soar to two billion by 2050. This presents significant challenges to welfare, pension and health care systems.

An aging population, along with increased disposable income from a growing middle class, creates growth opportunities for SCA. At the same time, its products and services add value by enabling people with chronic and aging conditions to stay at home instead of in nursing or other residential homes, respecting dignity and quality of life. Another aspect of shared value of SCA's incontinence products and services is the

significantly lower cost to society of caring for incontinence at home compared to in nursing homes or institutions.

With its TENA Solutions offering, SCA provides customers with a before and after analysis of their institution or home through a comprehensive benchmarking process of their incontinence care, including such factors as products used, routines and costs. The benefits include improved well-being for care recipients, a better work environment and less waste and use of resources as well as a lower total cost.

## Training caregivers in China

In China, citizens aged over 60 years account for 13% of the total population, a number expected to grow by 3% each year. China will face challenges in meeting economic and health burden. Effective nursing is one of the ways to better address incontinence and other elderly health issues, which is why SCA has trained some 6,500 nurses in 12 Chinese cities since 2009. SCA decided in 2012 to broaden the scope of the training program in China and about 1,000 caregivers and 1,000 nursing home managers were trained about elderly people's hygiene needs.

## Expanding new business model in Asia

The homecare model is taking root in Asia. In 2012, SCA teamed up with two major Singapore hospitals – Ren Ci Hospital and Tan Tock Seng Hospital – to support the general public and caregivers in their care of loved ones in a home environment. This is the first healthcare collaboration between an acute hospital, a community hospital and a corporate partner to develop and provide a dedicated homecare training platform for Singaporeans.

SCA continues to pilot-test door-to-door home nursing services in Shanghai, which were initiated together with the Singaporean company ECON Healthcare in January 2012. While it was started as a joint venture, SCA has taken over full leadership. Initial customer feedback is promising, however scaling up the service requires increased government support. In 2013, various subpilots in local communities will be tested to further refine the business model before a roll out can be considered.

## TARGET

### Hygiene solutions

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

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

## OUTCOME 2012

- SCA holds the number one or two position in at least one hygiene product category in nearly 80 countries.
- We conduct hygiene training programs in all product categories on all continents.
- SCA offers a broad portfolio of products ranging from the premium segment to the economy segment.
- Our products are distributed to both major corporate customers and to small local stores. Our 14 TENA online stores are examples of how the company works to make our products more accessible.



## Affordable, accessible and green

Offering the best value for consumers to make hygiene solutions affordable for everyone means understanding the needs of diverse groups. In the US, more than 43 million people trace their origins to Mexico. The Saba brand of feminine care products, already successful in Mexico and Central America, is being introduced to Mexican Americans in southwestern US.

The shared value proposition is growing in parallel with SCA's continued expansion in emerging markets, both through recent acquisitions and organic growth in these markets generally. SCA acquired hygiene operations in Turkey and Brazil in 2011, and acquired or extended investments in China, Taiwan and Chile in 2012.

There is a growing movement within green purchasing to encourage public authorities to procure goods and services with a reduced environmental impact, which is particularly relevant for SCA's B2B areas of incontinence care

and Away-From-Home tissue. Public authorities are major consumers in Europe, they spend approximately EUR 2 trillion annually, equivalent to some 19% of the EU's gross domestic product. In Green Public Procurement, the EU set a goal that 50% of all purchases should be "green". According to a 2011 survey, some 45% of purchases measured in value were green while the figure was 55% measured in the number of purchases. SCA estimates that generally 10 to 30% of the criteria in purchasing requests for incontinence care products are related to environmental or social aspects. In Sweden, where all 20 counties have a strong emphasis on sustainability, SCA currently has 50% of the market for absorbent incontinence products. SCA does not offer the least expensive products in the market, but has achieved success by adapting resource-efficient solutions and a lower total cost for customers.

#### Meeting customers' needs

In the environmental area, value creation is leading to customized products and solutions to meet customers' needs. SCA's Tork Xpressnap napkin dispenser system offers a way for customers to save money, since the dispensers offer at least a 25% reduction in usage compared with traditional dispensers, while also providing a benefit to the environment. The system controls consumption and minimizes waste by only dispensing one napkin at a time.

In 2012, SCA introduced the Tork Xpressnap Signature, offering contemporary designs that

feature rounded edges and an enhanced color pallet, adding a new dimension to North America's best-selling napkin dispensing system.

SCA is one of the world's largest supplier of forest products certified by the Forest Stewardship Council (FSC), and is experiencing increasing demand for such products from customers. In 2012, SCA introduced Grapholnvent, a publication paper for advertising material, catalogs and magazines that is as thick, bright and printer-friendly as other, more expensive paper grades and also has a low carbon footprint—thus offering both economic and environmental value.

Using thinner saw blades at Bollsta sawmill in Sweden has improved both revenues and resource efficiency. The yield has increased from about 43% to nearly 50%, which means an additional 7% of the log becomes solid-wood products.

Another source of value creation within the forest products operations is identifying new alternative fields of application for existing products and services, with forest-based by-products as one example. In 2012, SCA supplemented its production of fuel pellets by adding pellets manufactured from pure sawdust for stall bedding and horsekeeping to its range.

Aside from its valuable contribution to raw material integration, SCA's forestland offers the potential for energy production, both in the form of biofuel and windpower (see p. 34).

"The number of people over 60 is expected to grow from 600 million in 2000 to 2 billion in 2050."



## Economic implications of climate change

SCA participates in the EU Emission Trading Scheme (EU ETS), the first international trading system for carbon dioxide (CO<sub>2</sub>) emissions, and a mainstay of EU Climate Policy. Launched in 2005, ETS caps carbon emissions on factories and plants across the European Union, forcing emitters to buy carbon permits if they exceed limits. The first phase lasted until 2007.

The ETS system's second phase began in 2008, and ended in December 2012. During that time, a surplus of emission allocations has accumulated. The next phase will run for eight years, from 2013–2020. 38 European-based SCA sites participate in the ETS. SCA's average surplus of annual emission rights was approximately 300,000 tons of carbon dioxide during the second phase. SCA did not sell any allowances in 2012, although it did perform EUA-CER swaps.

SCA's surplus provides some compensation for the increase in power prices caused by the EU ETS. In the third phase, however, emissions from

participating installations must be cut to 21% below 2005 levels by 2020. This will probably result in a deficit of carbon emissions allocations for SCA, although the exact allocations had not been finalized by late 2012. The market price for emission rights (corresponding to one ton of carbon dioxide) has hovered around EUR 7.5 per ton during 2012. A plan by the European Commission to remove some allocations from the market to diminish the surplus has not yet been approved.

For SCA to avoid a future deficit of allocations resulting in the need to purchase permits, the company must continue to save energy, and invest in new energy-saving technology. EU efforts to reduce emissions from fossil fuels and promote renewable energy production could increase the demand for biofuel, although this market is currently weak. SCA's extensive production of biofuels could represent a competitive advantage in the future.



# Innovation everywhere

Innovation is key to SCA's business success and also one of our strategic priorities. In 2012, we worked to define sustainable innovation in order to adequately measure progress toward fulfilling the target.

## Innovation modelling

SCA has long had a culture of innovation leading to more energy-efficient and less materials-intensive processes and products. In terms of processes, ESAVE (see p.32) provides a model for continuous improvements, while for products, life cycle assessments help point the way toward sustainable innovation.

SCA's innovation is deeply embedded in the Group's strategy and business model, and is driven by consumer and customer insights and technological advances. With its new target, SCA began to define what sustainable innovation truly means, as a necessary step to measuring performance in relation to the target.

## Racing to innovate

In total, SCA invested SEK 845m in research and development in 2012, corresponding to 1% of total sales.

SCA strives to broaden the concept of innovation beyond innovating existing product lines or creating new product innovations to also encompass service innovations, process innovations, logistics innovations, experience innovations and system innovations.

TENA Solutions, for example, is a unique SCA offering that provides the institutional customer a before-and-after analysis of their institution or home service through a comprehensive assessment of their incontinence care. TENA Solutions encompasses products and care routines, with SCA providing expertise to institutional customers based on best-practice incontinence management – caring for each individual in the best possible way.

SCA products like TENA Flex and TENA Pants all focus on improving the well-being of

residents and the working atmosphere for the staff while minimizing resource usage – a result confirmed by numerous assessments.

Beyond products and services, SCA is expanding how the process of innovation is approached internally. A good example of this is the 2012 72-hour “race to innovation” within Forest Products. Two teams of six employees from different parts of the business unit met at the Örtviken paper mill in central Sweden to brainstorm ways to use SCA wood fiber in new products. A group of experts in everything from patents to marketing were part of the process, advising the teams on the feasibility and economic potential of the 18 promising ideas that emerged from the race. Some of the innovative ideas are now advancing into patent and product development. SCA is also evaluating perfection of the race process so that it can evolve into a production system for innovation, utilizing different disciplines and expertise from inside and outside the company.

SCA is aiming to achieve an open model of sustainable innovation in which acquisitions of and joint ventures with small high-tech companies can be fruitful. SCA's 2012 partnership with Swedish company Biogaia to innovate in health care with probiotics and beneficial bacteria is an example of this approach.

## Life cycle management every day

Since the 1990s, life cycle assessments (LCAs) have evolved to become central to the way that SCA designs and innovates toward sustainability in both tissue and personal care products. Life cycle assessment is an analytical methodology, based on ISO standards, that examines environmental data from every phase of a product's life

## TARGET

### Sustainable innovations

We will deliver better, safe, and environmentally sound solutions to our customers. We strive to continuously improve resource efficiency and environmental performance considering the entire lifecycle of innovations.



## OUTCOME 2012

- We defined criteria for sustainable product and service innovations.
- A number of innovations were evaluated in accordance with these criteria.
- We launched several sustainable innovations, including TENA Solutions, Tork Easy Handling, and Grapholnvent.

cycle, from raw materials to manufacture, transport, use, re-use, and disposal. Establishing and/or updating LCAs for all hygiene products is a top priority and one of the major tools used for evaluation, follow up and setting targets in sustainable innovation.

In addition to LCAs, SCA is also working with Life Cycle Management (LCM), which combines value, environment, and safety analysis throughout all parts of the product life cycle. LCM helps highlight what SCA sources, produces and develops, and which products and services are finally delivered to the company's customers. SCA's 2011 Global Supplier Standard aids in this process, since it results in the gathering of detailed data from suppliers and encourages goals for improvements. LCAs and product safety are well integrated in the development of hygiene products. SCA puts substantial effort into developing an equally sound methodology to analyze and assess the socioeconomic benefits of sustainable products in 2012, with work continuing into 2013.

## SCA's definition of sustainable innovations

In SCA's definition, sustainable innovations are better, safe and environmentally sound products, services and technologies. “Better” implies enhanced function, social improvements and added value for customers and SCA. Social improvements are defined as better quality of life, health, and handling before, during and after use. “Safe” means securing safety for employees, users and nature, while “environmentally sound” is measured by resource efficiency and environmental performance. To be described as a sustainable innovation by SCA, at least one social or environmental value of a product or service must be improved, while other parameters remain the same or preferably also improve.

Product	Carbon footprint reduction 2008–2011, %
TENA Flex	–7
TENA Lady	–17
TENA Men	–3
TENA Pants	–7
TENA Slip	–11
TENA Comfort	–6
Libero open diaper	–19
Libero pants	–8
Feminine thin towel	–18
Feminine party liners	–7

Life Cycle Assessments are calculated annually. Carbon footprint data for 2008–2013 will be presented in the 2013 Sustainability Report.

*"I don't know if there is a better word than proud to describe the great feeling of being part of one of the largest companies in the world that brings so much to the lives of people and to nature. As a mother of three, I appreciate the opportunity to be able to combine my professional and personal life with support from SCA."*

**Karla Etcharren,**  
Key Account Manager in Mexico



## Sustainable innovations

The launch of innovative products and services generally spans a couple of years. Initially, a pilot is launched, followed by the introduction of the product into different markets. Some examples of SCA's sustainable innovations are presented below:

■ = Social innovations   ■ = Environmental innovations



### ■ TORK Easy Handling

SCA launched Tork Easy Handling on a broad front. It is a combination of a Carry Pack and a Carry Box – two social innovations for cleaning workers providing several alternatives to lift and carry packs, thus reducing workplace strain.

### ■ ■ TORK Hand towels

Compressing hand towels and making longer paper rolls leads to reduced volume, less stock, reduced packaging transports and increased dispenser capacity.



### ■ ■ TORK Xpressnap

With SCA's Tork Xpressnap napkin dispensing system, customers are guaranteed at least a 25% reduction in usage compared with traditional dispensers. The system controls consumption, improves hygiene and minimizes waste by only dispensing one napkin at a time. In 2012, SCA introduced the Tork Xpressnap Signature line with new features.

### ■ TORK Foam soap dispenser

An easy-to-use foam dispenser with low push resistance was launched in 2011. This makes life easier for people with reduced hand strength, due to disabilities or age. The antimicrobial soap is based on alcohol that cleans and sanitizes at the same time.





### TENA Pants

TENA Pants with ConfioFit technology is a new, discreet product which improves fit and comfort while maintaining leakage security. The smarter design, together with improved logistics and pack optimization, yields a 7% reduction in the carbon footprint. Between 2008 and 2011, the carbon footprint reduction for TENA Pants in Europe was 7%.



### TENA Belt

TENA Belt is a product that encompasses pads and a reusable belt. The product combines better ergonomics for the caregiver with less consumption and a reduction in the carbon footprint in up to 25%. TENA Belt was introduced to the Chinese market in 2011 and a more affordable belt product was launched in 2012.

### TENA All in one

A TENA Slip with elastic side panels with improved design, fit and environmental performance was launched in Europe in 2011. TENA Classic Briefs in North America were optimized during 2012, which led to improved environmental performance. The reduction in the carbon footprint of Tena Slip was 11% between 2008 and 2011 in Europe.

### TENA Solutions

TENA Solutions was piloted in Europe in 2010–2011 and launched in 19 countries in Europe, North America and Asia in 2012 (see p. 28).

### MODIFIED BLEACH METHOD

A modified chemical sequence of the totally chlorine free (TCF) bleaching process at the Östrand pulp mill in Sweden saves large quantities of chemicals and electricity, reducing costs by SEK 10m annually.

### GRAPHOINVENT Paper

GraphoInvent, a bright, high-bulk paper that feels as thick and strong as more expensive papers, was launched in the market. FSC-certified GraphoInvent has a lower carbon footprint compared with similar papers in the market and a low weight to reduce customers' postage costs.



### LIBERO Open diapers

A thinner baby diaper was introduced in Russia and in the Nordic market in 2011. In 2012, it was launched in Hungary, Greece, Romania and Bulgaria. More efficient materials and smarter design improves fit and environmental impact. Reduced weight results in fewer resources used, more efficient transport and less waste generated. The Libero diaper is approved by the Nordic Ecolabel. Between 1987 and 2012, the carbon footprint reduction for the Libero open diaper was 49%.



### FEMININE Towel

In 2012, a slimmer Maxi feminine care towel with improved fluid retention capacity and improved fit was launched. The carbon footprint of feminine care thin towels was reduced by 31% between 1998 and the most recent measurement in 2011.





# A commitment to care for nature

Economizing on natural resources is part of SCA's business strategy to create responsible, long-term growth. Our stakeholders expect us to assume our environmental responsibility across the entire value chain, from protection of biodiversity in the forest to production and end use of the company's products.

SCA takes a 360-degree approach to tackling its climate footprint and the Group has established targets to reduce carbon emissions and increase production of biofuel, and is participating in several wind power projects.

Water is a local issue and SCA has thus decided to focus its efforts related to water consumption on areas where water is in short supply. On all sites, however, it is important that the quality of the water that is discharged from operations maintains a high standard.

By controlling the origins of all fresh fiber, the Group ensures that it does not purchase wood raw materials from controversial sources. SCA's own forests are both FSC and PEFC certified and SCA has ambitious goals to preserve biological diversity. The forest is also a valuable renewable energy resource that enables production of both forest-based biofuel and wind power.



Read about our value creation for nature:

Climate & energy



pages **32-35**

Fiber sourcing & biodiversity



pages **36-38**

Water



page **39**

*"All of the environmental work we do at the tissue manufacturing sites supports a better environment and quality of life for our neighbors and employees. Respecting the environment at our production facilities enables us to operate now and in the future."*

**Artem Lebedev**, Site Manager at the Sovetsk tissue mill in Russia



SCA HYGIENE PRODUCTS RUSSIA  
ФАБРИКА В Г. СОВЕТСК



## Invested in the future

SCA has an ambitious carbon dioxide target. It will take investments in new technology and a continued focus on efficiency improvements in day-to-day operations to achieve the target, and the roadmap is well in place.

### Investment is key

SCA reduces its carbon dioxide emissions primarily through major investments in key technology improvements that will save energy, cut emissions and lower costs. SCA views its planned investments as part of the annual strategy process, analyzing investments for their potential to impact the company's sustainability targets and carbon emissions.

One example is the installation of the new lime kiln, powered by forest-based biofuels, at the Östrand pulp mill in Sweden in 2011, resulting in an 80% reduction in fossil CO<sub>2</sub> emissions (50,000 tons) compared with using oil to power the kiln, and reducing costs by SEK 50m annually. SCA is installing a similar bio-fueled kiln at the Munksund kraftliner mill in Sweden, to be operational by 2014. The project will reduce the plant's fossil CO<sub>2</sub> emissions by 25,000 tons annually, representing a total carbon emissions reduction of 75% compared with emissions from the current oil-fired lime kiln, and a reduced annual cost of SEK 50m.

### New tissue technology

SCA is investing in new tissue production technology that will enable energy savings and carbon reductions. At the Kostheim production facility in Germany, SCA is investing SEK 1.1bn in new drying methods for premium tissue products. This project, to be completed in the first quarter of 2013, will allow increased tissue production at Kostheim as well as reduced energy usage and CO<sub>2</sub> emissions, compared with alternative technologies.

### ESAVE everywhere

Since 2003, SCA has embedded the ESAVE (Energy Savings and Efficiency) program throughout its operational business units. It has completed about 1,700 projects that have generated estimated accumulated savings of SEK 700m in energy spending annually. ESAVE has its own ambitious Group target, adopted in 2010: the company plans to achieve a 14% reduction in energy used per ton of product produced by 2020. In 2012, over 225 ESAVE

### TARGET

#### CO<sub>2</sub> emissions

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



### OUTCOME 2012

- By year-end 2012, CO<sub>2</sub> emissions had declined by 10.4\*% in relation to the production level.
- Continuing with its large-scale investments aimed at achieving the climate target, SCA inaugurated a biofuel-powered lime kiln at its Östrand mill in Sweden, reducing fossil CO<sub>2</sub> emissions by 50,000 ton annually. SCA announced it will invest SEK 490m to install a similar unit at the Munksund kraftliner mill.
- The company's ESAVE energy efficiency program resulted in a 1.7% (1.7) reduction in energy used per ton, corresponding to a reduction in CO<sub>2</sub> emissions of approximately 47,000 tons.

\* Including pulp and paper mills in SCA's possession the 2012 calendar year.



The installation of a biofuel-powered lime kiln at the Östrand pulp mill in Sweden reduced carbon dioxide emissions by 50,000 tons compared with using oil to power the old kilns.

projects were implemented, resulting in a 1.7% (1.7) reduction in energy used per ton, which is well in line with the overall reduction target. This corresponds to a carbon emissions reduction of approximately 47,000 tons.

Typically, savings generated by ESAVE projects have derived from improving or replacing pumps, compressors, fans or lighting. As SCA's ESAVE focus has become more process-oriented, employees have become more involved in day-to-day energy and material savings. In addition, the company is constantly on the lookout for innovative technology solutions to cut energy consumption in ways that combine efficiency with profitability.

A prime example of this is the upgrade and optimization of the power plant at the tissue mill at Altopascio in Italy. A new steam boiler and a new cooling system increased efficiency of both steam and electricity generation. The measures reduced energy costs by more than SEK 2.5m. Heat recovery is an area that is a recent focus of ESAVE efforts – the SCA Tissue mill in Neuss, Germany, has implemented a number of projects, including assembling a mill-wide district-heating network that recovers process heat from the tissue paper drying, for use in heating all of the mill's buildings. The project will save SEK 1.6m each year and reduce heating costs by almost 60%.

### Forest's impact on climate change

SCA's 2.6 million hectares of actively and responsibly managed forests provide an important carbon sink. Young trees growing swiftly need 1.3 tons of carbon dioxide to produce each cubic meter of wood. Current growth of SCA for-

ests is higher than harvesting levels, which results in a 1% net increase of standing timber every year. The net carbon sequestration of SCA's forests is equivalent to 2.6 million tons annually, more than the Group's 2012 production emissions of 1.6 million tons (this figure excludes divested packaging operations and includes six months of company acquisitions for 2012).

### Transport takes steps

Together with only a few other large companies, SCA is among the first to report its total carbon dioxide emissions from transport. SCA's total transport emissions in 2012 were 0.82 million tons.

Road haulage accounts for about 21% of goods transported, and SCA is participating in an innovative Forestry Institute of Research Sweden project aimed at reducing CO<sub>2</sub> emission in transport. The "One More Stack" project, ongoing since 2009, has experimented with adding an extra trailer to timber-hauling trucks. SCA has one of these longer trucks, and plans to increase the number. In three years of testing, the project's pilot fleet hauled nearly 200,000 cubic meters of timber and saved about 20% in fuel costs, thus reducing CO<sub>2</sub> emissions compared to traditional three-trailer rigs.

At its Benelux plants, SCA reduced transport emissions by 26% over a five-year period through improved logistics, engine optimization, and enhanced truck aerodynamics, and received the European Logistics Hub's 2012 Lean and Green award for its efforts.

Currently, rail constitutes just 7% of total transport work, yet even here SCA is striving to find carbon-cutting solutions, working with the

Swedish National Road and Transport Research Institute (VTI) to investigate the possibility of running longer and heavier freight trains for forest industry transport.

SCA owns three sea vessels, since sea transport accounts for the largest portion of the Group's transport work at 72%. SCA's three RORO (Roll on Roll off) ships transport approximately one million tons of goods. Another 200,000 tons of goods are moved via container ship companies. A new regulation from the UN's International Maritime Organization, to be implemented in 2015, will reduce allowable sulphur content in marine fuels to just 0.1% from the current 1.0% levels in defined regions, increasing fuel costs for the Swedish export industry by an estimated SEK 13bn annually.

In early 2013, SCA launched the company's biggest overseas container tender ever, including both hygiene and forest operations. It marks a step towards a more coordinated approach to transport procurement, aiming to attain cost efficiencies and synergies. The joint volumes amount to some 75,000 TEUs\* on an annual basis, with total sales of roughly SEK 700m, including terminal handling and several transports to and from the ports. The largest volumes are exports from Europe, but there are also considerable flows from Asia Pacific and the Americas.

\* Twenty-foot equivalent unit, a unit of cargo capacity.

### Electricity consumption 2012

From national grids, 84%  
Own production, 16%

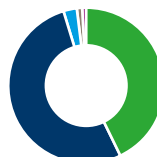


### Electricity consumption 2012: 7,780 GWh

The majority of SCA's electricity, 84%, comes from national grids, while 16% derives from electricity produced in the Group's co-generation plants.

### Fuel consumption 2012

Natural gas, 42.9%  
Biofuel, 52.5%  
Oil, 2.8%  
Coal, 1.2%  
Electric boiler, 0.6%



### Fuel consumption 2012: 52,828 TJ fuel

A total of 42.9% of SCA's fuel consumption comes from natural gas and 52.5% from biofuel. Oil and coal account for a mere 2.8% and 1.2%, respectively.



# Renewable energy: meeting multiple goals

SCA's vast forest lands provide ample resources for production of wind power and the generation of biofuels. Our industrial processes provide residues and materials that may be used for energy production. SCA is also exploring other renewable energy opportunities where they make good business, environmental and social sense.

Clean energy from wind power is one cornerstone of SCA's renewable energy target and in 2012, the company made solid progress towards its 2020 goal. The company is working simultaneously with three models of wind power development:

- SCA leases out wind sites to energy producers. This is often done when the sites are small or a minor part of a wind farm, where the majority of the wind turbines are located on the land of another landowner.
- Joint ventures with energy producers, whereby SCA is a part owner of the wind farm. The joint ventures with Norwegian energy companies Statkraft and Fred.Olsen Renewables fall into this category.
- Wind projects initially developed by SCA without a partner. SCA may, as development progresses, decide to sell the project, bring in a partner, or fund the project itself.

The joint venture with Norwegian company Statkraft started to yield effects. Owned 60% by Statkraft and 40% by SCA, Statkraft SCA Vind AB was formed in 2007. In 2012, construction work at the first of seven wind farms with a planned total of 360 turbines began, with 13 turbines erected. Eventually, these seven farms will deliver approximately 3 TWh of renewable electricity to the Swedish power grid annually.

SCA is also part of a joint venture with Norwegian company Fred.Olsen Renewables, called FORSCA, and project permissions are currently being sought. FORSCA will develop turbines generating approximately 2 TWh of electricity each year.

SCA has been developing a number of wind projects on its own in northern Sweden. For three of these projects, permissions were sought during the final quarter of 2012. In December 2012, an agreement was signed with Swedish energy company E.ON to cooperate on the development of a number of wind power projects with planned production amounting to 2 TWh annually.

## Forest-based biofuels

SCA's renewable energy operations include biofuels from the forest, not just logging waste in the form of treetops and branches, but also stumps and peat. In addition, the company uses residue products from industrial operations. Much of this raw biofuel, such as bark and black liquor, is used internally in SCA's industries. Some of these residues, however, are processed, as is the case with fuel pellets, produced in two mills in Härnösand and Stugun, Sweden, from sawdust from SCA's sawmills. These can be sold to customers outside of SCA.

Fuel pellets are used for energy production in boilers of various sizes, ranging in size from those used in single-family homes to large CHP plants. An increasing share of fuel pellets is used in SCA's own industrial operations. In December 2012, the SCA Board decided to invest in a biofuels expansion project together with the community of Sundsvall in Sweden. SCA will invest in two boilers fueled with pellets, which increases the energy the company will deliver to the community's district heating grid. This means that both the community of Sundsvall and the Örtviken paper mill can drastically reduce their use of fossil fuels, decreasing consumption of fuel oil by 30,000 cubic meters each year.

In 2012, SCA produced 2.9 TWh of bio-based energy, a small decrease from the previous year. Of this amount, SCA's forest-based biofuels energy production amounted to 890 GWh (a slight increase from 870 GWh produced in 2010, the reference year). The reduced production is due to market conditions. There is a large potential for biofuels production in SCA's vast forests. These resources, however, are located far from cities and population centers. Recent mild winters and the cost of production and transportation have reduced the profitability of the biofuel sector. Work is ongoing, both to increase the productivity throughout the whole supply chain and to find more efficient uses for the energy resources that SCA controls.

## TARGET

### Wind power

The production of wind power on SCA forest land will increase to 5 TWh by 2020, with 2010 as the reference year.

### Biofuels

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



## OUTCOME 2012

### Wind power

0.4 TWh of wind energy from SCA forest land was delivered to the grid. The first turbines from the Statkraft SCA joint venture SSVAB were established this year.

### Biofuels

Energy from SCA's forest-based biofuels in 2012 was approximately 890 GWh (870 GWh in 2010). That is enough power to heat 40,000 single-family homes.

## “Three Trees” initiative supports community

In partnership with the ethical Brazilian company Amata, the SCA Velvet tissue brand has developed a unique model for forest restoration in previously deforested areas of rural Brazil. The project has demonstrated measurable business value to the Velvet brand, the local environment, and community livelihood.

In introducing the ‘Three Trees’ initiative in 2009, SCA pledged to replace three trees for every one used to make Velvet tissue. This pledge is achieved by working with specific pulp suppliers for the Velvet Brand, in combination with a tree-planting initiative. Amata was a perfect partner in the endeavor, as the company is a pioneer in forest management that protects ecosystem services, while developing sustainable markets for diverse timber products.

Since 2009, almost five million seedlings have been planted for “Three Trees” in the Pará region in Brazil. The goal is to plant 14 million seedlings by 2022. SCA and Amata are planting a combination of mixed tree species, all indigenous to Brazil. The plan is to harvest these trees when they are between seven and 40+ years old. They will then be replaced by other trees.

As many as 15 million additional trees on Amata’s forested lands, both planted and the natural reserves, will be permanently protected in designated protected or reserve areas. All of the trees are certified to FSC standards.

SCA receives no financial return from the trees. Yet the project has already provided significant economic benefits. Not only has

the “Three Trees” project resulted in 300 local tree-planting jobs, creation of a fleet of bikes for workers, and the establishment of new tree seedling nurseries, according to the Brand Science consulting group, the campaign also delivered measurable business value to SCA in a highly competitive market. Marketing and advertising communications about “Three Trees” were considered twice as effective as the nearest competitor’s efforts, and Velvet’s market share grew 1.3% since the program was launched.



*As part of its cooperation with the ethical forest company Amata, SCA has planted nearly five million domestic seedlings in previously deforested areas in Brazil.*

# Securing a responsible fiber supply

SCA's commitment to sourcing all of the wood raw materials it uses from non-controversial sources involves considerable control efforts along the supply chain. A global supplier standard is strengthening the company's ability to verify supplier performance.

Since 2005, SCA's target has been to ensure that no wood fiber in its products originates from controversial sources. Controversial sources are defined as:

- Illegally logged timber.
- Timber from forests with a high conservation value.
- Timber from areas where human rights or the traditional rights of indigenous peoples are being violated.

The goal of no controversial sources anywhere in the supply chain means for example that SCA does not currently purchase any wood pulp from Indonesia or other Asian sources. Today, SCA has 100% control of the origins of wood fiber, including pulp.

## Group approach to fiber sourcing

More than ever, SCA's globe-spanning product lines and growth of the company's hygiene business necessitate a Group approach to the sourcing of fiber for personal care and tissue products. SCA sets high environmental and social standards for suppliers (see p. 50).

SCA requires pulp suppliers to demonstrate reliable systems and have documented procedures in place to enable control of the supply chain and traceability of the origin of wood raw materials. The company continues to perform assessments and supplier visits to ensure suppliers meet policy and expectations.

All SCA's pulp suppliers are FSC Chain-of-Custody and/or PEFC Chain-of-Custody certified. The company's wood sourcing policy sets out a tiered approach to help suppliers achieve SCA's ultimate goal of sourcing fiber from forests independently certified as sustainably managed. The decision by a number of pulp suppliers not previously involved in FSC to now offer FSC-certified products is seen as a positive result of the dialog between SCA and suppliers concerning sourcing policy and goals.

Since the wood sourcing policy's introduction in 2004, the number of pulp suppliers has been reduced to approximately 20. Twelve pulp

supplier sites were audited in 2012; another twelve will be audited in 2013.

The new pulp supplier database provides mills with fast and easy access to key information about suppliers, including certification options, pulp specifications, ecolabel compatibility, bleaching technology used, and so forth.

## Recovered fiber

SCA uses recovered fiber within its tissue operations. Currently, the mix is 46% fresh fiber and 54% recovered fiber, but the ratio varies in different markets due to the supply situation and market demand. The North American business is based on almost 100% recovered fiber, while the percentage of recovered fiber used in Latin America is 72% and in Europe it is 36%.

With the decreasing demand for publication papers in North America and Europe, sourcing recovered fiber will become more difficult. SCA remains committed to its use, working with trade associations and recovered paper partners to improve the collection of recovered paper and paperboard for reuse. In Sweden, SCA is part owner in Pressretur, a company that oversees paper recycling across the country. SCA's stake in Pressretur ensures a stable supply of recovered paper and good quality control. Recovered paper quality can be a major problem in countries where recyclables are not separated. To collect and sort paper, Pressretur has contracts with large and small waste management companies throughout Sweden, operating more than 5,000 recycling stations.

## Forest certification and dialog

SCA's privately held forest lands have been certified by the Forest Stewardship Council (FSC) since 1999 and by the Programme for the Endorsement of Forest Certification (PEFC) since 2011. Both of these standards form the basis of the Group's audits. SCA's ambition is to source all its fiber from forests that are independently certified.

While the company has a preference for FSC materials, SCA encourages all suppliers to move

## TARGET

### Fiber sourcing

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



## OUTCOME 2012


- All deliveries of pulp to SCA facilities met the Group target.
- All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.
- A new global fiber-sourcing group for the hygiene operations strengthened supply chain management.
- The global supplier standard was implemented among pulp suppliers. A pulp supplier database was also introduced.

towards forest certification. Therefore SCA recognizes diverse schemes for forest management, including PEFC, as well as the Sustainable Forestry Initiative (SFI), and the Canadian Standards Association (CSA). Other certification schemes may be considered on a case-by-case basis.

Over the next two years, SCA will work to achieve FSC and PEFC Chain of Custody certification at the European mills acquired from Georgia-Pacific. Work will also begin to integrate FSC Chain of Custody into SCA's North American operations, in preparation for the launch of further FSC products.

SCA collaborates closely with FSC, the most important and recognized platform for dialog on forestry. SCA also engages with other standards' bodies and stakeholders on responsible sourcing in the pulp and paper industry. SCA Forest Products participates in the WWF's Global Forest and Trade Network with respect to its purchasing operations. SCA also discloses information in the WWF Environmental Paper Company Index, receiving the best environmental footprint score in both the tissue (65% of the total achievable score) and packaging category (75% of the total achievable score) in WWF's most recent ranking in 2011. In addition, SCA engages with forest stakeholders by participating in the World Business Council on Sustainable Development's Forest Solutions Group.





*"As a newcomer to the company, I already feel really proud of SCA. The Group's activities extend much further than the small number of sustainability examples that can be viewed on the intranet, which include tree planting, supporting schools and communities in developing countries, major investments to reduce CO<sub>2</sub> emissions and water usage, cooperation with universities and schools, and so forth.*

**Tom Berben**, Director Environmental Compliance, Belgium, former Georgia-Pacific employee





# The forest and the trees

As Europe's largest private forest owner, SCA has the dual role of business leader and forest manager. Preserving the ecosystem services and biodiversity of these forest holdings is a top environmental objective.

## Ecosystem services benefit everybody

Biodiversity is the most important environmental objective of SCA's forest management. Nearly 7% of SCA's actively managed holdings of two million hectares of land is set aside through long-term landscape plans for ecosystem benefits. The forest is not only a source of raw material, it also provides other benefits, including as a wildlife habitat and for its biodiversity, watershed services, carbon storage, and scenic beauty. Another 600,000 hectares of less productive forestland and bogs also provide animal and plant sanctuary.

In addition, a minimum of 5% of each year's designated harvest area is also preserved. In 2011, the last time the biannual inventory was carried out, 12% of the forest area of the 18,500 hectares planned for harvest, was set aside for preservation.

This means SCA is not only meeting its biodiversity target, it is exceeding it by a good margin. In re-visiting and analyzing areas set aside for their high conservation value, SCA has found that approximately 200 species – over 100 species of insects, nearly 50 types of fungi and about 50 different kinds of mosses and lichens – can be at a disadvantage in managed forest lands, and these need special consideration.

For example, environmentally compatible management methods such as controlled fires are being used to re-create the natural qualities of burned trees that are attractive for some species. In another example, during harvest all broadleaf trees in a diversity area may remain untouched in order to create an environment more attractive for certain species of insects and birds.

More than one in every ten trees that SCA manages is left in the ground to die from natural causes. These standing trees – and in time, fallen trees – are critical, as they constitute a refuge for care-demanding species and they bring nature qualities of the old forest into the new, growing replacement forest. The market value of

these trees that will never be harvested is estimated at approximately SEK 200m annually.

In 2012, 39% of the total raw material used by the company came from SCA's own forests. The remainder of wood consumed came from Sweden (44%), Central Europe (13%) and the Baltic States (4%). Normally about half of the wood raw material derives from SCA's own forests. All of its wood suppliers meet the FSC Controlled Wood Standard.

FSC audits of SCA forests in 2012 resulted in no major CARs (corrective actions required). Two minor CARs were received, one regarding oil barrels being left at a harvesting site, and a second case concerning insufficient control of a contractor. The oil barrels were removed, and processes were put in place to avoid similar cases. SCA is conducting a review together with the trade union for forest workers to ensure that all contractors are controlled accurately. A 2011 CAR related to handling and management of hazardous waste, such as used hydraulic oil and lubricants. Corrective action was carried out in early 2012 to address this.

SCA forests are also certified in line with PEFC (Programme for the Endorsement of Forest Certification Standards), and the Group basis its audits on this standard and on the FSC standard. SCA's forest management also applies ISO 14001 certification, first achieved in 1998.

SCA's forest inventories indicate that its forest holdings have a net growth of 1% per year. This growth rate has improved over time as a result of the Group's active management and nurturing of new seedlings post-harvest. That means in another 25 years or so, post-World War II forests will be ready for harvest, delivering 20% more sustainable wood than current harvests.

SCA's forest-tree nursery produced more than 100 million seedlings, providing 44.5 million seedlings for use on SCA's forestland. Another 58 million seedlings were sold to other forest owners.

## TARGET

### Biodiversity

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



## OUTCOME 2012

- Approximately two million hectares of SCA forest holdings are used for timber production. Nearly 7% of this area, forest with significant natural features and important for biodiversity, is preserved from felling or managed to enhance those features.
- Furthermore, 12% of the 18,500 hectares planned for harvesting was set aside for preservation.

## Defining ecosystem services

Ecosystem services are the processes by which the natural environment produces multiple benefits – clean water, healthy forest habitat for flora and fauna, pollination of plants – that are often taken for granted. Natural ecosystems perform crucial services upon which life depends, and careful management of these benefits is required to make sure valuable ecosystems are maintained for the good they provide for all.

# The way to water sustainability

Pulp and paper mills require large volumes of water. SCA aims to reduce water usage in water-stressed areas and provide the highest levels of wastewater treatment.

## Getting tough on water targets

SCA's approach to water management – a clear environmental priority – is multi-faceted, and includes looking at where water comes from, how much is used, and the quality of wastewater. Water goals adopted from 2005–2010 helped the Group reduce water usage by 12%. During that time, the organic content of Group wastewater dropped by 35%. Thus, SCA has adopted new, challenging water goals:

- Reduce water usage in water-stressed regions by 10% by 2015, and
- Ensure that all of SCA's pulp and paper mills employ biological and mechanical effluent water treatment by 2015.

SCA used 210 million m<sup>3</sup> of water in 2012 in pulp and paper production, the majority – 90% – drawn from surface water sources. Most SCA mills (corresponding to 97,5% of the Group's total water use) are located in areas with adequate access to water. SCA has decided to focus water-saving efforts in regions experiencing water scarcity. The company identified mills in countries with water scarcity using globally recognized methodology from the World Resources Institute and internal SCA evaluations of local conditions.

Although SCA's water consumption in the identified countries and regions – Italy, Spain, Mexico, Colombia, Australia, and the south-

western US – only accounts for 2.5% of the company's overall usage, planned reductions will make a big difference locally. By year-end 2012, water usage in these regions had declined by 3.4%. Former Georgia-Pacific sites are not included in the water usage target. These will be surveyed in 2013.

As minimization of water usage has been a top priority for SCA for many years, the challenge will remain to find technologies to reduce use further. SCA's tissue plant in Sahagún, Mexico, is a good example. The Sahagún site, officially inaugurated in 2011, features integrated wastewater treatment with water reuse. Rainwater is collected for re-infiltration to the underground aquifer. Two major technological additions, including a Moving Bed Biofilm Reactor (MBBR), reduce the content of organic material and allow nearly half of wastewater to be recycled back to tissue manufacturing.

## Wastewater quality improvements

SCA aims to continuously improve the quality of wastewater at its facilities. Mechanical treatment removes sludge, and biological treatment extracts the organic impurities that affect Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD).

SCA is investing in biological effluent treatment at its facility in Lasso, Ecuador, an initiative that is expected to be concluded in September

## TARGET

### Water

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as the reference year. All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.



## OUTCOME 2012

- By year-end 2012, water usage in water-stressed regions declined by 3.4%.
- Of the Group's 40 pulp and paper mills, 39 have installed, or are in the process of installing, mechanical and biological effluent treatment.

2013. When this has been completed, the plant in Medellín, Colombia, will be the only facility of SCA's 40 pulp and paper mills not to deploy biological effluent treatment. Pilot studies are ongoing in Medellín to determine the type of technology to be installed to enhance water quality.

Improvement of biological wastewater treatment facilities took place at a number of mills, including the plant at Allo, Spain, which received its own MBBR system as well as a new buffer tank to improve efficiency.



# Managing not to waste

SCA strives to minimize waste in its production. The company is also paying continued close attention to smart innovations and partnerships that allow consumers to create less waste when using SCA products.

## Perpetual reduction

Minimizing waste – from product design through to manufacturing and disposal – is an essential way to reduce resource use and thus the carbon footprint of SCA products. Life cycle assessments (see page 26) help SCA reduce waste when designing product innovations. SCA is also making strides in reducing waste from manufacturing.

Between 2005 and 2012, waste sent to landfill was reduced in SCA's European personal care operations by 72% and in North American operations by 91%. At the manufacturing plant in Bowling Green in the US for example, 90% of waste already bypassed landfill. To take care of the final 10% of the plant's waste, a team of nine SCA employees worked to finely separate manufacturing, office, distribution and maintenance waste so that it could either be recycled, composted, or used as a new source of fuel. This work helped Bowling Green achieve zero-waste-to-landfill in 2012.

Meanwhile, recovery of materials streams useful to other industries – especially to the cement, brick making, and construction industries – continues to increase, rising from 886,456 tons in 2011 to 1,227,317 tons in 2012. The increase is partially due to the inclusion of the acquired Georgia-Pacific units in reporting for half of 2012.

At the Lilla Edet mill in western Sweden, ash from the sludge-burning process is being used as construction material for forest roads, as a binder in asphalt, and to raise the pH of farm soil. At SCA's Drummondville factory in Quebec, Canada, punched-out leg holes from incontinence briefs are now packaged into bales and

sent off to become raw material for future park benches.

Increased product volume levels and inclusion of former Georgia-Pacific sites have caused levels of hazardous waste – mainly waste oil, organic solvents, batteries and strip lights – to increase from 2,420 tons in 2011 to 4,058 tons in 2012. Starting in 2013, a mapping and details of an action program will be prepared for these units.

## Post-consumer waste

Considering the waste prevention hierarchy promoted by the EU Waste Framework Directive, reducing the amount of waste from product manufacture is one of the most effective steps to preventing waste. By using life cycle assessments, especially for its personal care products, SCA has created an internal culture in which actions to reduce waste, save money and improve product performance are a continual part of an innovation mindset. In addition, materials' innovation – thinner plastic films, and more absorbent cores using less fiber, for example – is a promising avenue for cutting waste.

SCA also plays a role in dealing with post-consumer waste. An example is SCA's work to have its products certified as biodegradable. The company was the first Away-From-Home manufacturer to obtain certification for its napkin line from the Biodegradable Products Institute (BPI), one of the largest independent compost certification groups in North America. BPI certifies that Tork Universal and Advanced napkins, including those featuring custom print, can be safely disposed of and will quickly biode-

grade in the municipal and commercial composting facilities that are becoming increasingly common in major US cities. Tork Universal and Advanced napkins also carry the EcoLogo and Green Seal certifications. Additionally in 2012, North American products were awarded the national Cedar Grove Composting standard.

SCA has realized that growing populations increase the need for solutions to address post-consumer waste, and the company has become proactive in working with waste collection and treatment authorities to form relevant partnerships to deal with these major issues. Identifying solutions that will work across global markets is a challenge, but the key to success is finding collaborations like the Power of Three project (see below).

## Closing the loop through collaboration

A new collaborative effort with Casella Waste Systems and Foley Distributing in the US is allowing SCA to be part of a closed-loop process encouraging further recycling directly into new goods. Casella Waste Systems has worked to encourage recycling systems on college campuses in the northeastern US states in which it operates. Casella collects recyclable material from the campuses and, in return, provides colleges with data to calculate their own carbon footprints. Since mid-2012, the recycled material is delivered to SCA's paper mill in South Glens Falls, N.Y. as a source of recycled fiber, and is further fashioned into new, 100% recycled-content hand towels and tissue. Foley, a distribution company, then delivers new products back to the colleges. The close proximity of the three partners tightens supply chains and reduces carbon emissions from transport, in addition to increasing recycling rates. This project, dubbed the Power of Three, plans to expand to new local customers in the region.

# Safeguarding product safety

Product safety is vital in the creation of SCA's products. The company pays strict attention to how it handles chemicals and complies with regulations throughout all of its operations. SCA also conducts safety assessments to continually maintain and improve product safety and, by extension, safeguard consumers' trust.

## Securing product safety

Securing the safety of products and the safety of the working environment is a continuous process. SCA works hand-in-hand with suppliers to ensure that chemicals of concern are reduced or eliminated in the formulation of materials and products. This focus is a key part of maintaining consumers' trust, and making sure products are compliant with all necessary legislation and standards.

Product safety requirements vary depending on the product types, and the categories most relevant to SCA are general product safety, medical devices, food contact, chemicals, cosmetics, biocidal products and electronics.

The product safety process begins with suppliers, thus SCA's Global Supplier Standard

(see p. 50), approved in 2011, is the foundation for SCA's work with suppliers. It specifies important safety aspects, lists chemicals of special concern, and spells out how suppliers shall provide the detailed information that will be used for safety assessments. Safety assessments follow principles of general risk assessment, and include elements such as hazard identification, exposure assessment and risk characterization. Experts in the fields of chemistry, toxicology, microbiology, and environmental science assess SCA products and take into account the type of material, type of product, and its intended use.

Between 2009–2011, SCA was part of TOSCA, a project to encourage sustainable supply chains, jointly funded by the EU LIFE+

program, the University of Chalmers in Sweden, and companies SCA and Akzo Nobel. Positive outcomes from the project include improved cooperation, reduced environmental impact and dissemination of good examples of effective tools and ways of working (For more information, visit [www.tosca-life.info](http://www.tosca-life.info)).

Product safety measures are also important in manufacturing, with contamination prevention and hygiene control being of great importance, along with occupational health and safety. SCA follows GMP (Good Manufacturing Practice) for the majority of the different applicable types of products it manufactures. In addition, SCA has an approved product safety policy for all its hygiene business units and is implementing this policy on a global basis.

The monitoring of changing scientific findings and trends is included in SCA's efforts to reduce or exclude chemicals or materials of concern. In the past few years, minimizing the presence of trace elements from chemicals not intentionally added to formulations has been a key effort.

## Chemicals compliance

The European REACH legislation (Regulation, Evaluation and Authorisation of Chemicals) covers the use of chemicals and their effect on occupational health and safety, consumer safety and the environment. Entering into force in 2008, REACH is strictly followed and SCA ensures its compliance through a detailed and careful system. As SCA is a significant user of certain industrial chemicals, the company's adherence to REACH is part of daily operations and integrated into all levels of activity. The latest phase of REACH, to come into effect on June 1, 2013, requires SCA suppliers to register anything over 100 tons of chemicals manufactured or imported and consequently the company works closely with suppliers to maintain open and ongoing communication. This ensures that Safety Data Sheets (SDS), the long established method of passing on information on chemicals, are updated and new information passed along the supply chain, thus ensuring that SCA receives information at all stages. This is also important as REACH's list of 'substances of very high concern' is expanding, and SCA must continuously review and act upon this growing list.





# Social responsibility at the core

Through a business strategy permeated by sustainability and social responsibility, SCA contributes to society in ways that reflect our core values of respect, excellence and responsibility. The SCA Code of Conduct has a central role in our social responsibility programs and is an integral part of how we do business.

As new international standards emerge and stakeholder demands rise in areas such as human rights, labor standards, responsible sourcing and anti-corruption, companies must have in place robust processes and policies to meet high standards of social responsibility.

Our Code of Conduct forms a framework for the way in which we translate our core values into practical action and provides guidance for how our employees are expected to act in their day-to-day activities. All employees should be

aware of the content of the Code and understand its significance.

All employees should feel secure at their place of work, and health and safety has been assigned the highest priority. SCA imposes rigorous demands on the work environment and continuously endeavors to encourage a safety mindset. No task or activity is worth risking injury and every accident that occurs should be viewed as a failure.

Our people are our greatest asset, and attracting and developing talent is a strategic priority. Leadership, development and diversity are key factors to attract committed and multi-talented employees.

SCA helps to raise the quality of life for many people through our products and services and by sharing knowledge. We want to create value by positively influencing society and becoming actively involved in the local community.

Read about our value creation for people:

Code of  
Conduct



pages **46–51**

Employee  
Health & Safety



pages **52–55**

Hygiene  
solutions



pages **58–59**



*"Through its active role in social responsibility aimed at improving access to hygiene for everybody, SCA goes beyond its core mission to manufacture and sell hygiene products. SCA's Lotus brand is a partner of the French branch of the charity SOS Children's Villages, making hygiene accessible to the inhabitants of villages in the south of Madagascar through on-pack campaigns. These activities make me all the more proud of being part of SCA."*

**Charlotte Fourest,**  
Senior Brand Manager, France



## SCA on a journey of transformation

The year of change that characterized SCA in 2012 affected our employees in a number of ways that challenged the organization, but in placing the emphasis on openness, transparency and communication, the fabric held.

In 2012, SCA experienced unprecedented change to the organization. In 2011, SCA announced one of its biggest acquisitions to date, of Georgia-Pacific's European tissue operations, adding 4,700 employees, and 15 production sites in seven countries. The integration of our "new" colleagues was a major activity during the year and is still ongoing. Other significant acquisitions occurred in China, Taiwan along with the remaining 50% in a joint venture in Chile.

In 2012, SCA divested its packaging operations, excluding two kraftliner mills in Sweden, affecting 12,000 employees. SCA also sold its 50% share in the papermill in Aylesford, UK, and signed an agreement to sell the Austrian publi-

cation paper mill in Laakirchen. This was part of the company's strategy to enable sustained growth in its hygiene business, which today represents 80% of net sales.

Parallel to these changes, SCA reorganized its global hygiene operations, which employs 25,000 people. This was one of the largest reorganizations in the company's history, designed to allow for increased efficiency, market presence and growth.

While all of this transformation was taking place, SCA still had to deliver its products and services with the same level of quality. Such a significant amount of change puts pressure on an organization. SCA has a process in place to

ensure that organizational changes are handled with respect and integrity towards all the individuals affected.

### A supportive process

In the design and implementation of any new organizational structure to leverage on synergies, the aim is to handle personnel changes with openness, fairness and dialog.

During periods of restructuring, the company's focus is to provide support to employees affected by organizational changes. This is done primarily through transparent and early discussions with unions, and by developing a social plan, tailored to local conditions and to assist employees in finding new opportunities. Typically, the plan contains job search assistance, training and other support. It may also include severance pay, early retirement schemes, and financial incentives to those who find work before

## A personal welcome to SCA

The completion of the acquisition of Georgia-Pacific's European tissue operations in July 2012 was a big event for SCA; a group of SCA senior managers, supported by the former Georgia-Pacific management, visited 20 production sites and offices across Europe over three days, meeting the majority of the new employees. At the new locations, employees were personally greeted by management, who were waiting at the gates or reception areas. Employees also received a backpack that included a welcome letter and information about SCA, its values and its Code of Conduct translated into the local language. The backpack also contained samples of SCA products so that employees could learn more about the company.

Later during the day, town hall meetings were held at all sites across Europe. The aim of the SCA and former GP management was to personally welcome the new employees, inform them about SCA, the acquisition and the shared journey ahead and to start a

dialog. Employees could ask questions during an interactive session that followed. This was the first Group-wide contact between SCA and its new employees.

"We understood that our initiative to welcome of the new employees was unexpected," says Hans Kisjes, Regional Director NorthWest Europe at SCA, who greeted about 250 employees at the new SCA site in Cuijk in the Netherlands. "The employees really appreciated this gesture because it showed just how important they are for SCA."

An integration campaign was developed and launched across Europe at all internal communication touch points, including large welcome banners mounted on the factory walls, roll ups at the reception areas, and posters on the walls. All employees received access to their personal SCA e-mail address and to the SCA Group intranet.



the end of their termination period. Support services include individual career counselling, workshops – ranging from supplying practical know-how to support in change management – and administrative support. Local employers are often engaged to help find employment opportunities. The average notice period for employees in the SCA Group, in connection with organizational changes, is six weeks although it varies depending on the country.

#### **Integrating new employees**

Effective integration of new employees is central to the acquisition process and for many employees of the former Georgia-Pacific sites, the integration is well underway. By communicating openly about the reasons for and benefits of the acquisition and other changes, SCA's aim was to establish employees' support for the journey ahead.

Understanding both companies' strengths and potential differences is key to success. Therefore, SCA invested in a cultural analysis that involved speaking to leaders from both the former Georgia-Pacific business and from SCA to enable an understanding of areas of difference and similarity. In a series of workshops held throughout the year and still ongoing, joint teams have the opportunity to both understand and address potential differences.

#### **Aligning core values**

Another important component has been to inform the new employees of the SCA way of working, its policies, guidelines and values. All new employees were introduced to the SCA Code of Conduct by the end of 2012. In addition, they were trained in SCA's performance management system and other tools and processes. The training is to be completed by the first quarter of 2013.





# Code sets compass for corporate conduct

In a year of transformation, the Code of Conduct has remained constant as the foundation on which SCA delivers on our commitment to sustainability.

Since 2004, the Code of Conduct has been an integral part of how SCA does business and lives up to its core values of respect, responsibility and excellence. Covering a wide range of issues (see box, "Code at a glance"), the Code sets expectations for conducting SCA business in a socially, environmentally and ethically responsible way. It is aligned with universal standards of business conduct as defined by the UN Declaration of Human Rights, the ILO (International Labour Organisation) Core Conventions and the OECD (Organisation for Economic Cooperation and Development) Guidelines for Multinational Enterprises, and the UN Global Compact Principles.

With the emergence of new international standards and heightened stakeholder expectations for corporate responsibility in areas such as human rights, labor issues, and the supply chain (see sidebar "Changing landscape" p.48), SCA will undertake a review of the Code of Conduct in 2013–2014 in order to ensure it reflects all relevant standards, legislation and expectations for the highest standards of corporate conduct.

## Strong focus on risk assessment

SCA monitors compliance with the Code of Conduct through reporting systems and auditing of specific operations according to a risk-mapping analysis.

During 2012, there was substantial focus on further ensuring compliance with the Code through a more systematic approach to audits, action plans and follow-ups.

Using the ethical database Supply Ethical Data Exchange (Sedex) risk assessment tool, as well as assessments by Transparency International, Amnesty International and Maplecroft, a global agency that monitors political, economic, social and environmental risks, SCA identifies markets most susceptible to human rights and corruption violations.

## Monitoring compliance

It is essential that the Code of Conduct and the values it bears does not become merely a document, but is truly being respected and represented throughout SCA and our operations. SCA uses a number of methods to monitor and safeguard the implementation of the Code. Respect for human rights, anti-corruption and other risks are part of SCA's due diligence process in connection with all acquisitions. For example, prior to the acquisition of Brazilian company Pro Descart, a thorough review was conducted, examining employee salaries, benefits and working conditions.

Since 2011, SCA uses Sedex as a tool for monitoring adherence to the Code. Sedex is used for driving improvements in responsible and ethical business practices in global

## TARGET

### Code of Conduct

We will maintain compliance with our SCA Code of Conduct. All employees will be regularly trained.



## OUTCOME 2012

- Rollout of global awareness training campaign for Code of Conduct.
- 87% of employees have received Code of Conduct training.
- Code of Conduct audits were performed in Russia, the US, Sweden and Poland. Business Practice reviews took place in Hungary and Malaysia.
- All SCA main sites reporting to the Supply Ethical Data Exchange database (Sedex).

supply chains across four key areas: labor standards, health and safety, the environment and business ethics. Sedex features a comprehensive self-assessment questionnaire to be completed by site management and a risk assessment tool that analyzes the self-assessment results in combination with the inherent country and industry risk data in order to generate a risk rating. These tools enable SCA to evaluate and inform customers of company performance, risks and approach in a comparable format.

By end of 2012, all of SCA's 54 wholly owned main sites were reporting in Sedex through the

## Code of Conduct at a glance

SCA is committed to creating value for our stakeholders and to building relationships based upon respect, responsibility and excellence with its employees, customers, consumers, shareholders and other business partners – and to do so in a socially and environmentally responsible manner. The SCA Code of Conduct is the guiding document for living up to this commitment.

Here are some of the key elements:

- **Health and safety:** to continuously improve health and safety and offer employees a safe working environment.
- **Employee Relations:** to foster a corporate culture where all employees are treated with respect, without discrimination and where they can exercise freedom of association.

- **Business practice:** to compete fairly when pricing its products and services, with zero tolerance for all forms of corrupt and unethical business practices. SCA expects our suppliers to adhere to the same conducts it sets for itself, in line with its supplier standard.
- **Human rights:** to ensure compliance with human rights, with focus on preventing child and forced labor.
- **Community Relations:** to contribute both directly and indirectly to the societies in which it operates.
- **Communication and data privacy:** To ensure open communication, while taking into account commercial confidentiality and respect for individuals' rights to data privacy.

The Code of Conduct is published on the company website and is available in 20 languages.



*In 2012, employees all over the world received training in such subjects as SCA's core values, Code of Conduct training and Active Employeeship (a program with the purpose to raise awareness of the operation's goal and future challenges and changes).*

self-assessment questionnaire and we expect our suppliers to do the same (see p. 50). The Sedex risk assessment showed that none of SCA's main sites are classified as high risk. Now that it is being used at all main sites, the Sedex tool is proving valuable in quickly identifying problem areas to be addressed to ensure compliance with the Code of Conduct. By the end of 2013, all of the former Georgia-Pacific sites will also be part of the Sedex database.

**Business Practice Reviews** are performed by the Internal Audit team. Business Practice reviews have been performed in a total of ten countries since its launch in 2008 and they address SCA's relationships with customers, distributors and authorities. The reviews are based on a paper trail review and interviews with ten to 20 individuals holding managerial, sales and purchasing positions who are potentially exposed to issues such as corruption and unethical business practices.

SCA also monitors adherence to the Code and ethical business practice through **Code of Conduct audits**. The audits are conducted by cross-functional teams using SA8000, the global social accountability standard for decent working conditions. A Code of Conduct audit usually involves thorough review of documentation, facility tours with special focus on health and safety and interviews with some 50 individuals, including the management team, employee focus groups and union representatives.

The operations identified for audits are based on four criteria:

- if the facility is located in geographical areas deemed most vulnerable to risks, such as human rights violations and corruption
- the size of the operation's sales
- if the business has recently been acquired
- if there are indications of non-compliance at a facility, for example, through SCA's grievance procedure.

About 23% (22) of the Group's sales currently derive from countries with an elevated risk of corruption and 3% derive from countries known for other human rights-related challenges.

About 69% (63) of SCA's operations in risk-identified countries have been audited for Business Practice compliance. SCA's internal reporting system collects data from every operation at least once a year and is based on relevant Global Reporting Indicators (GRI), the most respected framework for non-financial reporting.

#### **Business practice reviews 2012**

In 2012, reviews were conducted in Malaysia and Hungary. There were no indications of any breach of the Code of Conduct in respect of business practices in either of the audits.

In Hungary, a certain risk area could be seen in the Incontinence Care business. In the home care sector, General Practitioners (GPs) prescribe products for the individual consumer. As the GPs

salaries are generally low, there is a risk of unethical payment. SCA has given clear instructions to its sales force about ethical behavior. The nursing home sector has a general business practice of requesting financial support from suppliers and business partners. Accordingly, SCA makes small donations to the nursing home foundations, a practice that is legally correct. SCA's recommendation is not to buy or donate any items that could be used by private persons. The risk of unethical behavior from SCA's part was regarded as low.

#### **Code of Conduct Audit findings**

In 2012, Code of Conduct audits were carried out at SCA facilities in Russia, the US, Sweden and Poland. In general, the audits indicated alignment to the Code, policies and the SA8000 standard, while also revealing some areas of improvement. The audit of the operation in Veniov, Russia, identified compliance to eight of the nine SA8000 chapters, with the outstanding area highlighting the need for improvement in overtime. Similarly, at the facility in Barton in the US, the only SA8000 chapter not fulfilled concerned overtime. Internal Audit and local management agreed on corrective action, which will be followed up by Internal Audit. If necessary, Internal Audit escalates these issues to the next management level. There were also minor recommendations on improvements to health and safety at both the Russian and US facilities.

The audit of the Olawa mill in Poland revealed compliance with seven out of nine SA8000 chapters, indicating a need for considerable improvement within health and safety (for example, locked emergency exit doors or substandard firefighting equipment) as well as overtime. Only minor changes are required for compliance with SA8000 for the Ortvikens mill in Sweden, in the areas of health and safety and employee grievance procedures.

Audit findings are reported to the Board through the Audit Committee. All audits are followed up. On site follow-up visits are only made where requested, or in the case of major non-compliances. Where necessary, evaluations are performed together with a third party.

In Malaysia, a follow-up was conducted in 2012 of an audit performed in 2011 that identified issues concerning management being unable to demonstrate full compliance with the need to pay a living wage. Management committed to independently establish what would constitute a local living wage. Meanwhile, the Malaysian government has issued minimum wage legislation effective January 2013. Naturally, SCA will be required to comply with such legislation, but in the meantime, management will undertake research to determine how a local living wage compares to the minimum wage, taking into consideration local trade union recommendations.

In 2013, Code of Conduct audits are planned to be conducted in France, Chile, Slovakia and China.

### Raising concerns

A Code of Conduct is only as strong as the processes and people that support its implementation. The successful implementation of a Code of Conduct requires high employee awareness as well as an effective mechanism for reporting grievance and raising complaints. All employees are encouraged to contact their managers, Human Resources, legal departments or, if relevant, their union representative, if they wish to report a situation of potential violation of the Code. Additionally, an intranet grievance procedure form, which can be submitted anonymously to SCA headquarters, is available online. In China and Australia, third party-operated Code of Conduct helplines are also in place. In 2013, SCA will review its grievance procedure to ensure effectiveness of reporting.

## Changing landscape

Stakeholder expectations, legislative requirements and voluntary standards for corporate responsibility are rapidly evolving across a wide range of issues, including the supply chain, labor standards and human rights. While SCA has worked with these issues for many years, we are currently reviewing this changing landscape to ensure that the Code of Conduct continues to reflect the highest standards.

### The UN Guiding principles

One of the key recent developments now under review by SCA is the UN Guiding Principles on Business and Human Rights, also referred to as the UN "Protect, Respect and Remedy" human rights framework. It rests on three pillars: the State duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication; the corporate responsibility to respect human rights, which means avoiding infringing on the rights of others and to address adverse impacts that occur; and greater access by victims to effective remedy, both judicial and non-judicial.

The primary focus of the UN Guiding Principles is to ensure businesses respect human rights by taking action to avoid infringing on human rights and addressing any adverse impacts that arise. The Guiding Principles are voluntary and do not create any new legal obligations for states or business. Rather, they provide guidance on how these constituents can better meet their responsibilities in line with existing human rights standards, as well as identifying gaps where improvements can be made.

Other guidelines for due diligence in human rights being taken into consideration in SCA's review are the new International Standards Organization's ISO 26000; the standards of the International Finance Corporation; the European Union's new strategy on corporate social responsibility, and specific provisions of the US Dodd-Frank Act.

### Children's Rights

SCA is also looking closely at the Children's Rights and Business Principles, being developed by UNICEF, the UN Global Compact and Save the Children as the first-ever global

standards for child-friendly business practices. SCA has attended workshops in 2012 held by UNICEF, and hosted one as well, to learn more about the ongoing consultations to create principles to guide companies on actions they can take in the workplace, marketplace and community to respect and support children's rights.

### Combating human trafficking

In adhering to new legislative requirements, SCA has acknowledged and signed the California Transparency in Supply Chains Act of 2010, or S.B. 657. The law became effective on January 1, 2012. It requires retail sellers and manufacturers who have annual worldwide gross receipts exceeding USD 100 million dollars and who are doing business in the state of California to post a disclosure on their websites concerning their efforts to combat human trafficking and forced labor in their own supply chains. SCA's disclosure can be found on <http://www.sca.com/en/sustainability/sustainability-targets/sustainability-target-code-of-conduct/human-rights/>



### Violations

SCA views all forms of violations of the Code of Conduct very seriously and consistently takes suitable measures when such events occur. In 2012, a total of 14 (27) cases of non-compliance with the Code of Conduct were reported: ten cases related to business ethics and corruption, one to sexual discrimination and the remaining three to insubordination and inappropriate behavior, among others. In all cases except for one, SCA terminated the employee's employment contract or the employee requested the employment to be terminated. In the case in which the employee's employment contract was not terminated, a warning was issued. In the case of sexual discrimination, the employee has appealed the termination of employment in court.

### Joint ventures

We encourage our joint ventures and partners, such as distributors, to apply the SCA Code of Conduct. SCA is involved in seven joint venture operations. Each of these joint ventures is managed by a local Board comprising SCA representatives and its partners. Issues relating to compliance with the Code are regularly addressed at their Board meetings and, in cases of serious non-compliance, reported directly to SCA.

## From commitment to action

Training, raising awareness and workshops support SCA employees in bringing the Code of Conduct into their everyday decision-making. All employees are regularly trained in Code of Conduct compliance and sound business practices, including guidelines on human rights, how to counter corruption, bribery and unethical behavior and how to deal with ethical dilemmas that may arise. Face-to-face and online training on the Code are provided at regular intervals for all employees, and is a mandatory part of onboarding for all new employees. To date, 87% (98) of employees have received training in the Code, which includes guidelines on human rights and corruption. The decline is due to the fact that the criteria that determine what can be regarded as training have become stricter compared with 2011, and that it is now necessary to either have completed in-classroom training or online training in order for the employees to be included in the statistics.

### Raising awareness of Code

During 2012, an updated e-learning module and training material was translated into 20 languages as part of a global awareness campaign and refresher course on the Code in which 76% of all employees participated. All new employees are introduced to the Code, which in 2012 included new employees from the Georgia-Pacific acquisition and other acquisitions.

### Focus on anti-corruption

In 2013, additional training will be conducted on anti-corruption and anti-trust. While zero tolerance for unlawful or unethical behavior such as corruption is stated clearly in the Code of Conduct, SCA has decided more in-depth training on anti-corruption is needed in view of the importance of

this issue, and not least because of a growing number of international and national laws regulating this area, most recently the UK Bribery Act 2010. A robust compliance program helps to prevent breaches from happening, identifies any irregularities quickly if they do occur, and demonstrates that SCA does not accept unethical behavior.

The program is aimed at managers and other employees who interact with customers and suppliers, for example, sales, marketing and procurement. The course explains corruption and bribery and identifies high-risk situations that arise in SCA's business, contains "real-life" case studies and provides guidance on how to prevent and identify corruption/deal with potentially difficult situations relating to corruption. It includes essential do's and don'ts (practical examples to explain how the principles should be applied), followed by a test.

### New anti-trust learning tool

A separate e-learning tool will focus on anti-trust practices. While this issue is already addressed regularly with relevant managers by the legal counsels in SCA's business units, the new anti-trust e-learning tool will complement these face-to-face meetings.

### Training on data security

Another area of specialized training for employees is information management and data security. The training, provided through an e-learning tool, covers requirements in management in relation to customer-related and pricing information, including the financial and reputational risks of misuse of intellectual capital. At year-end, 20,000 (18,000) had completed the training, including staff from each of the Group's business areas.

## Securing a responsible supply chain

With a large and increasingly complex global supply chain, the ability to monitor risks and manage social and environmental impacts among suppliers is of paramount importance.

Securing that the supply chain meets high standards of social and environmental responsibility and product safety is the primary aim of the Group target for responsible sourcing. The target includes raw material and merchandise suppliers and there are plans to include contractors.

In 2012, SCA decided to increase efficiency and unify supply chain management by creating a new Global Hygiene Supply unit. The company also further embedded the global supplier standard for the hygiene business among suppliers. The forest products business created a global standard for its suppliers, aligned with the same requirements that apply to Global Hygiene suppliers. While they largely share Group expectations in relation to responsible supply chains, the two standards vary slightly, enabling each business to take into account different issues relevant to their value chains.

### Setting expectations

Essentially all major hygiene supplier contracts include criteria related to social responsibility, safety requirements and the environment. To harmonize its supply chain management and to further emphasize the importance of social standards in the supply chain, SCA updated its Global Supplier Standard and initiated the implementation process in 2011. Today, about 73% of SCA's global hygiene supplier base has signed the SCA Global Supplier Standard compliance letter. Potential suppliers are screened on performance before approval and are regularly followed up on compliance. Approximately 16% of

the company's general auditing process covers human rights and environment-related issues. No contracts with suppliers were cancelled or terminated due to violations during 2012, which is considered a last-resort alternative.

Group-wide alignment on responsible sourcing rests on a three-pronged platform, namely:

- Compliance with the Global Supplier Standards for the hygiene and forest products' operations.
- Performance disclosure through Sedex (the world's largest database for sharing ethical supply chain data).
- Audits of suppliers critical to SCA's business or located in high-risk areas.

The global hygiene business rolled out the standard among its suppliers during 2011. During 2012 and onward, the focus is on securing supplier compliance with the standard in all future contracts.

### Sedex reporting on the rise

The global hygiene operations are setting a baseline to define what is required to reach the target of using the SCA supplier standard in all supply chain contracts by 2015. SCA has thousands of suppliers, but the focus has been on those suppliers most strategic to SCA operations which form the global supplier base.

At year-end, the global supplier base comprised 387 raw material suppliers, corresponding to 90% of SCA's total hygiene raw material spend. A total of 127 of these suppliers had

### TARGET

#### Supplier standard

Our SCA supplier standard has been developed with suppliers to drive shared values and priorities through our supply chain. We will use it in all supply chain contracts by 2015.



### OUTCOME 2012

- A total of 73% of SCA's global hygiene supplier base has committed to adhere to the SCA Global Supplier Standard, including its references to social responsibility, product safety and environment.
- Of the hygiene operation's global supplier base, 33% reported performance through Sedex.
- A total of 65% of forest products' global supplier base has committed to follow the SCA Global Supplier Standard, including its references to social responsibility, product safety and environment.

.....

reported performance through the Supply Ethical Data Exchange (Sedex) in 2012. By the end of the year, a total of 238 suppliers had reported through Sedex (125). Since 2011 was the first year that global suppliers reported performance through Sedex, the significant increase in 2012 was due to a concerted effort to have most major suppliers report in the database. A number of SCA customers explicitly request reporting on supply chain performance through Sedex.

#### Monitoring suppliers

As in its own operations, SCA applies a risk-based approach to monitoring our supply chain. The risk management procedure annually maps and evaluates hygiene suppliers from 20 different risk points to determine the risk rate. The areas covered in the risk mapping include geopolitical, legal, economic, market, environmental, and social aspects. If a supplier has a risk rate above 20, a risk response plan should be established to reduce the risk. If the risk develops into a reality, a contingency plan is prepared.

Consequently, SCA has been devoting increased attention in recent years to monitoring countries considered to be of high risk due to low compliance with environmental and labor legislation. For this reason, three suppliers in China were audited in 2011 for the hygiene operations. Although no major non-compliance was identified, audit findings uncovered issues regarding working hours, health and safety and freedom of association. The follow-up and corrective actions included change of shift patterns, improved emergency exits and more active communication with operators by worker representatives.

During 2012, no Code of Conduct supplier audits were conducted due to other priorities

during the reorganization of SCA. Instead, the focus was on having suppliers registered in Sedex while also drafting the strategy for how to boost audits in 2013, when SCA's hygiene operations plans to significantly increase the number of audits. The goal is to audit all production sites in the global supplier base in countries considered to pose the highest risk by the end of 2015.

#### Focused approach for Forest Products

Within SCA, raw materials constitute a major cost item. This is why the business areas have emphasized supply chain management efforts on raw materials.

Accordingly, the Forest Products business unit worked closely in 2012 with wood and chemical suppliers, including the largest supplier of chemicals, to encourage them to sign the letter of compliance with the SCA Forest Products Supplier Standard. Eight out of 20 suppliers have signed the letter, representing approximately 65% of SCA Forest Products' purchasing spend. Going forward, Forest Products will continue working with its suppliers and encourage them to sign the Supplier Standard. After an evaluation of the supply chain, it will then be determined which suppliers are appropriate to include in the Sedex reporting process. Forest Products have not performed any specific Code of Conduct audits of its suppliers in 2012 but one or two suppliers are historically audited annually as part of quality audits.

SCA Skog uses almost exclusively contractors to carry out forest management services and harvesting and has a program in place to ensure compliance with the Code of Conduct. SCA Skog signs agreements with contractors in which they undertake to comply with laws, conventions, collective agreements and SCA's rules and regulations in relation to such aspects as

employment conditions and the work environment. Among other stipulations, the agreement with SCA clearly states that:

- The contractor must be a member of an employers' organization or have a local collective agreement in place with GS-facket (the Swedish union of forestry, wood and graphical workers).
- The contractor must adhere to the laws and agreements that regulate the business, meaning the forest worker agreement relating to working conditions and pay, and legislation governing working hours and the work environment.
- The contractor must comply with the guidelines relating to employees' rights as stipulated in Swedish FSC and PEFC forest standards.
- The company must practice a systematic health and safety program and have carried out at least one follow up during the past year.
- The company must be able to present a risk assessment and action plan for the work environment.

A contractor inspection is also carried out in which SCA Skog, together with the contractor, fills in relevant information in a checklist concerning, for example, the contractor's employees and their work environment. In addition to this activity, field spot checks are performed by both GS-facket and SCA personnel. Efforts are made to continuously improve the contractor inspections in collaboration with GS-facket.

In late 2012, it was revealed that one of SCA's suppliers had not complied with obligations relating to pay and working conditions for forest workers. The relationship with the supplier was therefore terminated.





# Putting health and safety first

SCA has long prioritized health and safety at work. Now, with a target aimed at zero workplace accidents, safeguarding employees' health and safety has gained even more momentum, with a strengthened, global approach.

SCA is committed to a safety culture with a zero accident vision, starting with a step change over the next four years to cut the accident frequency rate by 25%. Eliminating unsafe conditions and fostering safe behaviors at work is the foundation of a proactive safety program that all SCA sites are expected to follow. While there are many indicators of company performance, health and safety is one that affects all employees and can have serious consequences when unsafe conditions or behaviors lead to accidents or even fatalities. For this reason, health and safety is a top priority at SCA.

To ensure that this approach is uniformly applied, meets the stipulations of national legislation and reflects the Code of Conduct, SCA has adopted one international standard, OHSAS 18001, with which all its main production facilities must comply by 2016. As of 2012, progress toward the target is regularly reported to the CEO and senior management. By the end of 2012, 28% of SCA's main sites were certified according to the occupational health standard OHSAS 18001. All sites acquired in 2012 will be included in the system.

## Spotlight on the industry

In the pulp and paper industry, there is an awareness of the need to improve health and safety and to set ambitious goals. Industry organizations, such as the Swedish Forest Industries Federation and the Confederation of European Paper Industries (CEPI), have highlighted the importance of health and safety for several years. In 2003, the European paper industry committed to an aspirational target of "zero accidents". In September 2012, CEPI and the IndustriAllEurope—the European Trade Union Federation—issued a report on best practice in the industry in terms of health and safety under the auspices of the European Union social dialog for the pulp and paper sector. SCA, a member of these trade organizations and a participant in the sector social dialog, is tracking emerging developments and stakeholder expectations to reduce health and safety risks for the industry.

## Continuous improvement

At SCA, the emphasis is on continuous improvement on the journey to achieve the target. SCA's

## TARGET

### Employee Health and Safety

Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011–2016. OHSAS 18001 will be implemented at all main sites by 2016.

## OUTCOME 2012

- The accident frequency rate, including acquired sites, amounted to 8.5% (7.1).
- By the end of 2012, 28% of SCA's main sites were certified according to OHSAS 18001.



Group Health and Safety policy defines how the company manages health and safety across its operations and among all employees. Every SCA facility has procedures in place to deliver on the commitment to creating safe workplaces. These procedures aim to identify, address and reduce risks, as well as improve safety awareness and reduce site downtime.

All management systems applied within SCA include comprehensive safety awareness train-

## Sharing best practice

There are many examples of best practices within health and safety at SCA and these are shared systematically throughout the organization. Examples in 2012 include the following:

In March, the personal care manufacturing facility in Bowling Green, Kentucky, USA marked two years without a Lost Time Accident (LTA). Before achieving this two-year mark, the plant had reached a four-year period without an LTA. Thus, in six years, the facility has experienced only one LTA. At Bowling Green, the Safety Index is an interactive program in which teams build proactive safety functions into their daily routines. Teams participate in audits, perform behavior-based safety observations, identify and correct hazards, create work instructions and training programs and complete other tasks. Points are tallied for each activity; at year end, top-performing teams are recognized for their achievements.

On April 3, 2012, SCA's tissue mill in Mannheim, Germany achieved 1 million hours without an LTA, thanks in part to the "Beware-Of-Safety (BOS) program, the introduction of safety KPIs, and designated "Work Safety days." The Manchester mill in the UK also reached 1 million hours without a LTA on November 1, thanks to continual improvement of safety

management systems and a committed effort to challenge unsafe conditions and behaviour. The Svetogorsk mill and Sovetsk mills in Russia achieved 1 million hours and 500,000 hours, respectively, without an LTA during 2012, actively using the BOS program, loss prevention studies and safety tours to achieve this result.

In Asia, SCA's two manufacturing facilities in Malaysia have been on a journey since 2008 to reduce the number of LTAs at both sites, and to sustain safety awareness and a safe workplace. The focus in 2011 and 2012 has been to stimulate an "Influencer" way of working, whereby planned safety initiatives and systems aim to leverage the power of peer pressure to encourage 'correct' safety behavior in teams. For example, initiatives such as a Behavior Observation Safety System (BOSS-card) and a manufacturing BUDDY system encourage and empower employees to positively influence their peers to act in compliance with expected safety procedures. These initiatives have led to positive results, from six six LTAs in 2008 dropping to just one LTA in 2011.

ing, targets, risk identification, continuous performance monitoring, and employee representation on joint health and safety committees. Some 95% (94) of the total workforce is represented on such committees. In addition, 63% of the total workforce is covered by formal trade union agreements in which health and safety are standing items.

Since 2009, SCA has a reference team for Group-wide health and safety and making the target relevant to all aspects of the business. A critical incident report system was launched in 2012, in which Group-wide data on each serious incident is disseminated immediately and globally, covering preventive actions taken, recommendations to other SCA sites and contact details for further information.

#### Safety statistics

	2012
Lost Time Accidents (LTA)	477
Days Lost (DLA)	8,539
Accident Severity Rate (ASR), %	17.9
Incident Rate (IR), %	1.5
Frequency Rate (FR), %	8.5
Fatalities	1

More safety statistics on page 70.

#### Safety culture about people

Although management systems are important, a safety culture is essentially about people – how they interact with each other, with the equipment, and at the workplace. That is why the focus for training at SCA is on behavior-based programs, empowering employees to understand the value of safety and accident prevention, with consistent messages shared across diverse cultures and geographies. All employees receive health and safety training annually, and how this is carried out is locally driven.

Safety is part of the Hygiene Manufacturing Excellence program, which is being rolled out across the global hygiene business. One example is Beware of Safety (BOS), implemented at many facilities to raise awareness of safety on the shop floor, with an emphasis on observing behaviors, providing positive feedback on good practices and pointing out areas for improvement. Machinery safety is vitally important and this has been a priority area in the acquisition of new sites. All new employees and contractors must undergo a safety induction program and training in fire safety and first aid.

While the health and safety strategy at SCA is set at a corporate level, it is influenced by local priorities. The SCA hygiene business units developed a safety roadmap in 2012 to ensure

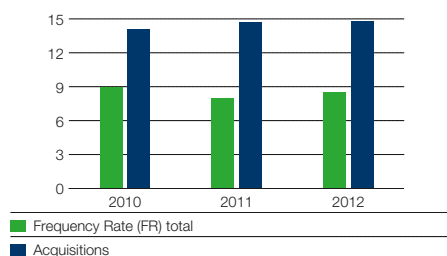
all facilities will comply with the OHSAS 18001 standard. Every incident, even “near-misses”, are important to investigate to gain information about how to avoid problems. Newly acquired sites are also aligning to the SCA health and safety strategy and are sharing their best practice.

#### Tracking key indicators

Key safety indicators are the basis of the Group's approach to risk identification and they provide data for the process for continuous improvement. Both dangerous occurrences and minor accidents that do not result in absence from work are tracked. The following key performance indicators apply for all operations:

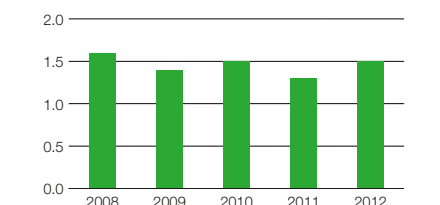
- Number of Lost Time Accidents (LTA): accidents that cause an employee to miss the next regularly scheduled work day/shift.
- Days Lost due to Accidents (DLA): number of work shift/ days lost due to an LTA.
- Accident Severity Rate (ASR): The DLA in relation to LTA.
- Incident Rate (IR): LTA in relation to number of employees.
- Frequency Rate (FR): LTA in relation to hours worked.
- Fatalities.

#### Accident Frequency Rate (FR)\*



A comparison of the accident frequency rate in SCA (adjusted for divestments of the packaging business, excluding the two kraftliner mills and Aylesford) and the accident frequency rate in acquired units (Georgia-Pacific Tissue, Everbeauty and ProDescart).

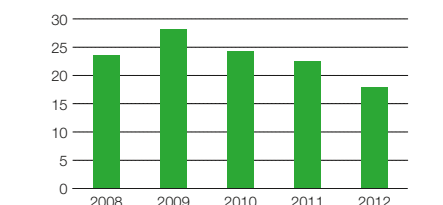
#### Incident Rate (IR)\*\*



\* Comparable history. Historical data from acquisitions are added and divestments are completely removed.

\*\* Unadjusted historical data. 2012 data includes acquisitions (Georgia-Pacific Tissue, Everbeauty, Pro Descart) and excludes disposals (Packaging excl. Obbola and Munksund, Aylesford Newsprint).

#### Accident Severity Rate (ASR)\*\*



## Performance

Several health and safety performance indicators deteriorated in 2012 compared with 2011 and the accident frequency rate (FR) rose to 8.5% (7.1). The number of Lost Time Accidents (LTA) was 477 (492), and the Days Lost due to Accidents (DLA) totaled 8,539 (11,070). Acquisitions in the preceding year are not included in data for 2011, and divestments are not included in 2012, implying that the figures are not comparable. The decline in some performance indicators is largely because the acquired units do not maintain the same high standards as existing SCA facilities. Efforts to strengthen health and safety activities at these units have already commenced. One positive aspect of this year's statistics is the improvement in the Accident Severity Rate (ASR) to 17.9% (22.5), which indicates a reduction in serious accidents.

At SCA in Brazil, (known as Pro Descart when acquired by SCA in September 2011), there has been a concerted effort in 2012 to address the high rate of accidents. A family-owned business prior to acquisition, the facility, with about 400 employees, has substantially ramped up its occupational health and safety practices in order to work towards achieving Group-wide standards. This began in 2011 with training of all employees in the SCA Code of Conduct.

A comprehensive analysis of health and safety issues at the Brazil facility was undertaken in 2012. The majority of accidents are incidents resulting in hand injuries related to how workers interact with machines. This is being addressed partly by improvements to machine guarding systems. The greater challenge is encouraging a safety culture, a cultural change that will take time to develop fully.

Extensive training was carried out in 2012 to achieve this goal; a total of 3,000 hours in which all employees were trained on 53 different health and safety topics. Two safety technicians covering both day and night shifts were also employed to support safety measures. There is now positive momentum towards reduced health and safety incidents at the plant, thanks to these efforts. For 2013, the goal is to achieve the Group target of 25% reduction in accident frequency, at a minimum, but the team is committed to exceeding this goal.

### Taking fatalities seriously

It is with great sadness that SCA reports the occurrence of one fatality during the year. The accident took place within the logistics company SCA Transforest at the Port of Rotterdam in February 2012. A 60-year-old stevedore worker, who was under contract to SCA, was struck by a

paper reel that fell from a truck. Investigations have been conducted by SCA representatives and civil authorities, the latter of which is still ongoing. As a result of the incident, SCA has introduced changes to procedures at the port to reduce the risk of similar incidents.

In early 2013, Vänersborg district court ruled that SCA had violated the Swedish Work Environment Act and was ordered to pay a fine of SEK 1.5m. The reason was a fatal accident that took place in 2009 at the Lilla Edet paper mill in which an employee was fatally injured in a crushing accident. The court contended that negligence led to the death of the employee. Since the accident, SCA has rebuilt all machines of a similar model worldwide and has also informed other companies about the accident risk.

All fatalities are taken very seriously at SCA and it is the company's ultimate goal within health and safety to avoid such tragedies.

## A healthy workplace

A healthy workplace is vitally important to SCA. In 2012, a new Group-wide wellness campaign was launched to further raise awareness of health issues.

At SCA, each business unit is responsible for designing a wellness program that is most relevant to its operations. Measures to improve health range from improved ergonomics, non-smoking campaigns, work-life balance to training and counselling on how to deal with serious diseases, as well as the importance of nutrition and responsible drinking.

SCA in North America has conducted an employee health program since 2008 including voluntary regular health checkups, early detection of health risks and promoting a healthy life style. In 2012, the business unit was recognized as one of the "healthiest employers" in the greater Philadelphia region

for these initiatives. SCA Americas has identified diabetes as a crucial issue and supports employees in the highest risk category.

SCA's European hygiene operations have revamped menus in their canteens to reflect better nutrition. Health & Lifestyle is a central program within the European hygiene operations to improve the health and lifestyle of employees. The goal of the program is to decrease illness rates, increase productivity and provide solutions for an aging workforce. Each year, to mark World Health Day, the Health & Lifestyle project team organizes a week full of activities that can help improve employees' well-being, including free fruit, information about healthy food in the canteen and exercise programs.

In 19 countries, SCA offers its employees the opportunity to participate in a program to

treat alcohol abuse. Most programs include support for the families of employees.

Forest Products includes the company SCA Hälsan – a company within the SCA Group that pursues occupational health services for SCA's units in the Sundsvall region in Sweden. SCA Hälsan focuses on such areas as preventative healthcare by offering employees health profile assessments. The purpose of these assessments is to motivate individuals to adopt a healthier lifestyle and discover signs of ill-health at an early stage. Where necessary, healthcare personnel can provide contact information for behavioral scientists, physiotherapists or physicians. The consolidated result can be reported at a business area level and provide a basis for a strategic health program.



*"SCA is a large and well-established company with a good reputation and a drive to always be at the forefront in terms of the environment, quality and safety. SCA also has a fair personnel policy."*

**Anna-Lena Bruksås**, operating engineer at Örtviken paper mill in Sweden

”



# When engagement is about making a difference

People who have passion for what they do are SCA's greatest asset in a global economy competing for the best talent. In its strategy to engage, motivate, attract and retain employees, sustainability plays a leading role.

SCA's ambition to contribute to a more sustainable society is a key element of a corporate culture in which people can reach their full potential and be proud of the company they work for. Numerous studies support the idea that there is a link between employee satisfaction and customer satisfaction, productivity and financial results. A Group-wide employee survey in 2011 found that SCA employees are highly engaged and feel a strong affiliation to their employer.

Of the 82% of employees who participated in the engagement survey, 83% expressed that they saw a long-term future with SCA, and thereby have a vested interest in its progress. SCA's global employee turnover rate of 12% (12) is low for the industry. SCA is building on this engagement to attract and retain the talent that will secure the necessary human capital to meet the challenges ahead.

## A multigenerational workforce

SCA is expanding its presence at the same time as its global workforce, as in many other companies, is undergoing a demographic change and facing a shortage of specific competencies. Working-age citizens are in short supply in countries facing a rapidly aging population while in other countries, the challenge is to ensure the necessary skills base at the right time and right number. SCA's annual demographic survey shows multiple generations are working side by side, which expands opportunities to meet this potential challenges, enhances diversity and also increases the dynamics of the workforce. SCA recognizes that diversity – spanning age, gender, nationality, experience, knowledge and a variety of other characteristics – is essential to future growth of the company, enabling it to better respond to the needs of diverse markets and to fuel innovation.

SCA employees not only share the company core values of respect, excellence and responsibility but also the ambition to make a difference for people and nature. As many studies have shown, people want to work for a company that shares their values. This is particularly true for the younger professionals of the Generation X and Generation Y and "Millennials" and while not all countries are the same, it is generally important for people to feel a commitment to a greater cause in addition to freedom, responsibility and work/life balance.

Involvement in numerous community relations initiatives is one way in which SCA provides employees an opportunity to demonstrate their commitment to the company's shared values. (see p. 58). In 2012, in response to the many changes in the organization as well as global workforce challenges, SCA intensified our efforts in strategic workforce planning, employer attractiveness and leadership development, all of which are key to building the company's organizational capabilities.

## Matching market needs

Finding the right person at the right place, at the right time and at the right cost continues to drive the recruitment strategy. However, in specific parts of the world, SCA recognizes that we must establish a stronger employer presence to meet future needs. Therefore, after extensive research, SCA launched our employer attractiveness program in 2012. As part of this, SCA will create partnerships with specific educational institutions in four countries – the US, Germany, France and Russia – to ensure the Group's future human capital needs in markets that are key to future sales and production needs.

The aim is to enhance SCA's position as a preferred employer for graduates and young professionals as well as local talents in these markets, and to ensure its capability to attract and retain a multi-generational workforce.

## Accountable leaders

In 2012, SCA developed a global leadership curriculum to underscore a consistent approach to leadership development. Strategic business leadership and financial insights are themes running through this global approach that 135 managers took part in up to 2012. Leadership development will take on an even bigger focus during 2013 when more development activities will be outlined according to the Leadership Platform.

## Giving feedback

Employees feel a sense of engagement and motivation when they have a dialog with their manager and receive regular feedback. The employee survey in 2011 highlighted the scope for improvement in leadership, performance management and feedback. To address this, the Global Performance Management System, a tool introduced in 2011, was further developed. The system clarifies expectations, defines new objectives moving forward, and also encourages employees to contribute to the development of their workplace as well as provide feedback in relation to SCA's core values. Every employee should receive at least two performance reviews a year. In 2012, 78% (70) of employees participated in performance reviews.

At SCA, employees are given the opportunity for personal and professional development, a key source of continued engagement. There are a number of centrally and locally run development programs available for various employee categories throughout the company, as well as opportunities for employees to attend specialized courses as the need arises. The average number of training hours for all employees in 2012 was 17 (19).

## Diversity key to strategy

Diversity is a central element in meeting consumer and market needs globally and, therefore, a key strategic issue for SCA. The Group's Code of Conduct states that all employees are to be treated fairly and with respect – regardless of

“People want to work for a company  
that shares their values.”



age, gender, ethnicity, religious belief or any other personal characteristic. SCA conducts an annual survey of its top managers to measure progress in relation to diversity.

SCA's approach is to select the best candidate for a position, taking into account many factors, of which gender is only one. However, since 80% of consumers of SCA's products are women, SCA benefits from a balance in male/female managers and the company strives to create an attractive workplace for women. SCA has identified a number of women in the organization as potential leaders; an initiative that is showing results. During 2012, the share of females among the 100 most senior executives increased from 17% to 20% and, among the top 300 managers it increased from 17% to 25%. Among the top 1,000 managers the percentage of women increased to 29% (21). The divestment of the packaging business and the acquisition of Georgia-Pacific's European tissue business contributed to the increased share of female managers and the total share of women amounted to 29% (27).

In 2012, 30 (31) nationalities were represented among the 300 most senior executives. Among the 1,000 most senior executives, 39 (44) nationalities were represented.

Progress towards better representation is measured in diversity reports and is monitored in the talent review process. Encouraging greater diversity is also part of the Leadership Platform and is built into all managers' job descriptions.

#### Freedom of association and collective bargaining

SCA has a long tradition of healthy union relations and recognizes the right of all employees to join unions. The level of engagement and the existence of formal collective bargaining arrangements vary from country to country, but on average, 65% (68) of employees at SCA sites are covered by collective bargaining agreements.

SCA conducts formal employee consultation processes in many markets. One of the largest representative groups is the SCA European Works Council (EWC), which represents about 22,000 SCA employees.

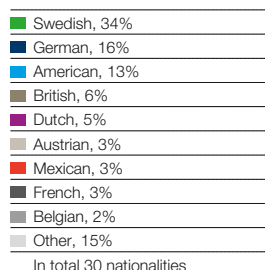
The relationship is built on a collaborative approach, with regular scheduled meetings. SCA updates representatives on the Group's development, earnings, Code of Conduct, occupational health and organizational issues, involving them and allowing employees to prepare for change.

#### In dialog with unions

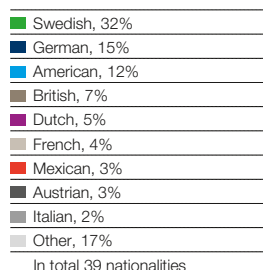
Since 2004, SCA has a Global Framework Agreement with the International Federation of Chemical, Energy, Mine and General Workers' Union (ICEM) representing more than 20 million members worldwide, the Swedish Paper Workers' Union (which in this context represents all the Swedish trade unions) and SCA's European Works Council.

The Global Framework Agreement, commits SCA to report on how we manage social responsibility within our operations. Based on the Code of Conduct, the areas covered by the agreement are reviewed bi-annually in a joint meeting between signatories. In 2012, areas of discussion covered labor practices, collective bargaining and key findings from Code of Conduct audits and training.

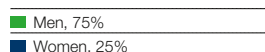
#### SCA's top management diversity survey, top 300 managers 2012



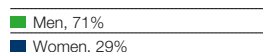
#### SCA's top management diversity survey, top 1,000 managers 2012



#### SCA's top 300 managers by gender 2012



#### SCA's top 1,000 managers by gender 2012



#### Employees

	Total
Number of employees	33,775
Part-time employees	1,327
Employees leaving the company	3,993
<b>Employee turnover</b>	<b>12%</b>

#### Employee age distribution SCA Group 2012





# Reaching out to make a difference

Around the world, SCA is actively engaged to benefit the social, environmental and economic well-being of communities.

SCA invests significantly in the communities and society in which we operate, recognizing that we have both a responsibility and an opportunity to make a positive difference in people's lives. In a mutually beneficial relationship, sustained over time, local communities receive support from SCA in a wide range of areas, enhancing loyalty and goodwill. Good community relations are also a source of pride for employees, help attract and retain talent, inspire trust, position SCA favorably among customers and offer a competitive advantage.

In 2012, SCA established a new community relations and sponsorship policy that prioritizes initiatives with a clear link to the business, such as those related to hygiene, health, education, women and children. Initiatives take the form of education, partnerships, sponsorships or donations; some effect the lives of thousands of people, while others are small-scale projects with a local focus. Community investments linked to the business are most sustainable in the long term.

In 2012, SCA invested about SEK 45m (24) in community relations, corresponding to 0.5% of the company's operating profit. Some 200 projects were registered in the company's web-based system. Most of the initiatives are related to health and hygiene, although the total amount spent on environment was higher.

Many initiatives support improved health and hygiene conditions. As a leading, global, hygiene company, SCA has a responsibility to raise awareness of the importance of hygiene. Such activities also contribute to the SCA Hygiene Solutions sustainability target (see p. 24), which states: "We will make our knowledge about hygiene solutions available to customers and

consumers and ensure access to affordable, sustainable hygiene solutions to help them lead a healthy and dignified life." This includes providing information on hygiene matters concerning SCA products and services; implementing education programs for girls, women and caregivers, and offering the best value for consumers to make hygiene solutions affordable for everyone.

## Hygiene focus for children

Working to improve school hygiene is a key area of activity across many countries and communities for SCA. In Russia, the Tork hygiene program "Pat-a-Cake" for pre-schoolers received the Russian "Best for Children" quality certification, which is supported by the government. By the end of 2012, 5,000 children had been introduced to hand hygiene through the program.

Germany, Latin America, Austria, Sweden and Switzerland are also among the markets where SCA arranges school programs to raise children's awareness of the importance of hygiene. Programs include hygiene information, distribution of product samples, or developing pre-school guidelines for good hygiene practices. In one example, SCA's Tork brand sponsored a school art competition in Germany, "Show forth your hands" to mark Global Hand-washing Day on October 15, an international campaign to raise children's awareness of hand washing. The winning school received a voucher for SEK 43,000 as well as a complete set of washroom products from Tork.

## Educating young women

Several school programs are directed at teenage girls to educate them about the physiological and emotional changes associated with

puberty and menstruation. In several Latin American countries, more than 1,500,000 girls have completed the programs, which are run by SCA's feminine care brands, Nosotras and Don-nasept. SCA's Libresse brand has also sponsored programs in Malaysia and similar activities are regularly organized in several other markets.

## Improving hygiene conditions in Africa

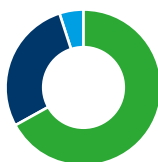
Due to poor sanitary and hygiene conditions, illness and death are common aspects of everyday life in Sudan and Niger. In partnership with the NGO Oxfam Novib, SCA worked to improve hygiene conditions in South Sudan and Niger. SCA and Oxfam are building latrines, installing sanitary facilities, such as hand-washing sinks, and providing soap in schools, as well as organizing lessons in hygiene, providing free sanitary towels and awarding scholarships to girls to increase their chances of attending and completing school. In Niger, SCA supports young women suffering from incontinence caused by fistula due to childbirth at a very young age.

In 2012, SCA donated 1 million feminine towels to UNHCR (the UN refugee agency) to be distributed in refugee camps in South Sudan. Since April, the number of Sudanese refugees seeking safety in South Sudan has swelled from 99,000 to 175,000. The UN refugee agency (UNHCR) is concerned by the alarming health and nutrition situation of the refugees in South Sudan. Access to sanitary materials is central to women's dignity and self esteem. The lack of sanitary supplies can affect women's health, but also their general mobility.

SCA's TENA brand provided incontinence products to the Huband Cradle of Hope orphanage in Nairobi, Kenya. The products are intended for children, many of whom are affected by HIV/AIDS.

### Community relations by region

Europe/Africa, 67%  
Americas, 28%  
Asia, 5%



### Community relations by focus areas

Environment, 28%  
Health and Hygiene, 25%  
Emergency relief, 19%  
Sports/Culture, 12%  
Donations, 5%  
Education, 5%  
Other, 6%





### Key partnership with the Red Cross

In partnering with local Red Cross organizations worldwide, SCA is able to leverage the positive impact it can have on the social and economic well-being of communities. SCA entered a long-term partnership with the Red Cross in France in 2011 to support the country's homeless and encourages employee involvement. The first joint activity was the distribution of 40,000

hygiene kits to homeless people. Hygiene is a key factor for health, self-respect and social integration for homeless populations. Based on the positive results of a satisfaction survey among both Red Cross workers and the homeless, the initiative will extend across France in 2013 with the distribution of some 100,000 hygiene kits. There are plans to make this an annual activity. The partnership in 2013 will also include sponsorship of an educational road show for teenagers, information programs for the elderly and the involvement of SCA employees, which will include fundraising, first-aid training, and volunteer work.

### Environment in focus

Community relations includes caring for the environment. The Tree Pool program supports employees in planting trees where they live, providing their communities with a piece of nature. In the US, SCA supports environmental education grants that encourage teachers and students to become involved in understanding and

meeting ecological challenges. In Russia, the Sovetsk mill held an ecological education program at schools in Sovetsk to involve students in the work to improve the local environment. The mill also sponsored the installation of a portable water purifying system in two schools. SCA and its UK and Ireland consumer tissue brand Velvet are leading a pioneering tree-planting project in Brazil (see p. 35).

In Inner Mongolia, SCA is taking an active part in the fight against desertification, donating and planting trees as a part of the "Million Tree Project", which is a local non-governmental initiative. So far, SCA has donated 2,000 trees. The project started in 2007 and to date 950,000 trees have been planted. The land has been reforested with poplars, pines and yellowhorn, which have proved to be suitable in fighting desertification.



"Access to sanitary materials is central to women's dignity and self esteem."



# Sustainable governance

The main purpose of all governance at SCA is to guarantee the Group's commitments to all of its stakeholders – shareholders, customers, suppliers, lenders, the community and employees – commitments that are expressed in the company's business objectives and strategies.

## Sustainability governance

SCA's Corporate Senior Management Team bears the overall responsibility for the control of SCA's business in the environmental and social area.

SCA has a corporate staff unit in charge of sustainability, led by the Senior Vice President Sustainability, who reports to the CEO and is a member of the Corporate Senior Management Team. Apart from the environmental and social aspects, the staff is also responsible for SCA's Public affairs. In close collaboration with the business unit presidents, the approved strategy and objectives are broken down into specific targets and activities to ensure compliance with the Group's objectives and business plans.

The Environmental Committee and the Social Responsibility Committee draft proposals for policies and principles for governing the sustainability work, in addition to objectives and action programs at Group level. They also coordinate and follow up the Group's initiatives and objectives in the environmental and social area. The committees include members of all business units and representatives of Corporate Sustainability, Human Resources, Corporate Communications and Public Affairs. The Ethics Committee oversees the implementation and alignment of SCA's Code of Conduct.

Responsibility for implementation rests with the operational organisation. A number of networks work horizontally across SCA's different

business units to guarantee a consistent approach. Responsibility for the management of specific issues rests within the relevant business unit.

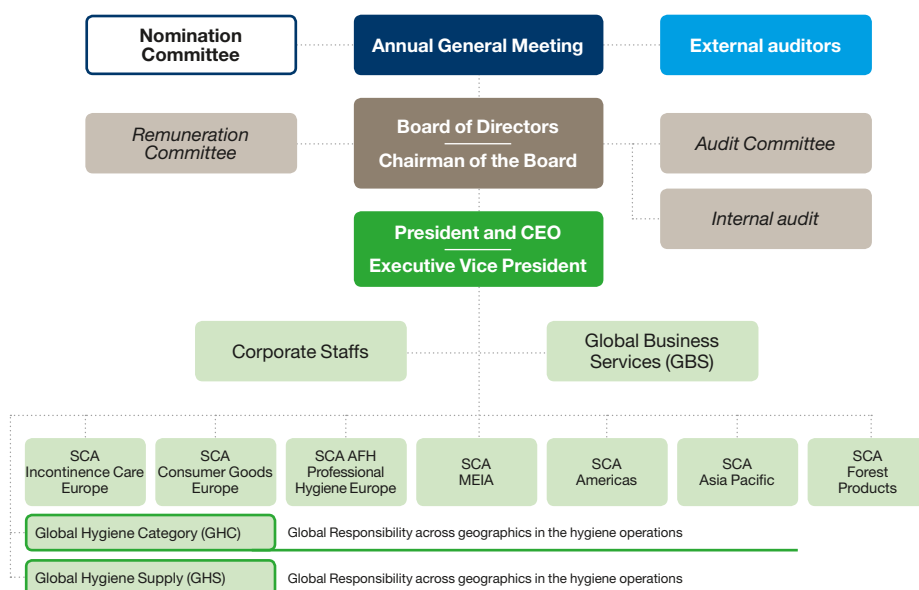
## SCA Group networks

**Water management network:** The network analyses the impact of the EU's Water Framework Directive on SCA's operations. It also establishes the Group's future aspiration level for reductions in emissions and water usage.

**FSC network:** The network's responsibility is to disseminate information on the subject throughout the organisation, and to coordinate the Group's position and activities in relation to FSC.

**RMS network:** Responsible for compiling information and making calculations and presentations relating to the use of resources and environmental data.

## Corporate Governance at SCA



**ESAVE network:** Coordinates the Group's projects that aim to reduce SCA's energy consumption and environmental impact.

**Energy network:** Based on the Group's strength, size and extensive energy consumption, the network focuses on identifying cost-efficient solutions and synergies in connection with energy sourcing. Emissions trading is another important area.

**Public Affairs network:** Leads and coordinates the work aimed at influencing legislation and stakeholders in prioritized areas that can positively or negatively impact the operation.

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

**GRI network:** Responsible for ensuring that the Group reports in line with Global Reporting Initiative guidelines.

### Controlling and monitoring

In addition to the company's auditors, the company's operations are subject to external reviews and monitoring by, among others, the Swedish Financial Supervisory Authority and the Nasdaq OMX Stockholm.

SCA's own control systems include segregation of duties in critical processes and defined management responsibilities with regard to internal control. There is also a separate Internal audit function at SCA that works to continuously evaluate and improve the effectiveness of SCA's governance processes, risk management and internal control. SCA's Internal Audit organization contributes to the maintenance of high standards of business practice and is involved in the monitoring of Code of Conduct compliance through such activities as Business Practice Reviews. As support in its work, the Internal Audit unit has a number of steering documents and policies. For example, competition legislation guidelines are updated every third year and, in 2011, anti-corruption guidelines were developed.

### Risk and risk management

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

A description of the most significant risks that impact SCA's ability to achieve established targets is presented on pages 56–61 in the 2012 Annual Report, together with an account of how these risks are managed.

### Corporate Governance Report

The complete Corporate Governance Report is available on SCA's website [www.sca.com](http://www.sca.com) and in the 2012 Annual Report.

## SCA's sustainability governance



# The Resource Management System, RMS

SCA operates an extensive system of gathering and presenting data for individual production facilities and entire business units. The Resource Management System (RMS) allows SCA to analyze data, describing how the company uses energy, water, transport and raw materials, and to monitor waste and emissions levels.

The RMS data is used for internal control and monitoring, external benchmarking and as a tool for evaluating acquisitions and major investments. This year's RMS data includes eight new tissue mills and one new personal care plant. Two publication paper mills, four containerboard mills, 52 corrugated board plants and 12 EPS plants were divested and have been excluded from the RMS data.

## Resources

This section describes SCA's use of raw materials, water, energy and transport in 2012.

### Raw materials

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

Renewable raw materials (fresh fiber and recycled fiber) account for the largest share of the material used in an average SCA product. Inorganic materials (kaolin clay and calcium

carbonate) are used as filler and coating pigment in certain types of paper in order to satisfy customer quality requirements. Synthetic materials are used in highly absorbent hygiene products to improve quality and function. The diagram to the right shows the raw material distribution of SCA's products.

### Water

SCA's water supply is presented in the chart "Raw materials, energy and discharges". The figures stated are totals for surface water, groundwater and municipal water systems. SCA's total water intake is 210 Mm<sup>3</sup>.

### Energy

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

electricity. The energy data figures stated therefore include both a fuel component and an electricity component.

Any excess electricity produced at an SCA facility that is not used internally is supplied to the national grid. In 2012, SCA delivered 56 GWh of electricity to the national grid.

SCA supplies secondary heat derived from effluent hot water to district heating systems, mainly in Sweden, which is an effective way of saving energy. In 2012, SCA delivered heat to district heating systems equivalent to 26,826 m<sup>3</sup> of fuel oil.

### Transport

Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses external suppliers for most of its transportation needs. SCA's use of transportation is equivalent to 31.1 billion ton-kilometers. Sea freight accounts for the greatest portion of SCA's transport and the remainder consists of road and rail. Transportation of SCA's raw materials and products uses the equivalent of 11,000 TJ of fuel and electricity.

## Emissions

The company's total emissions are determined by fuel consumption, which in turn is determined by the level of production. Changes in production volumes over the past few years, measured in

### Distribution of water supply

■ Surface water, 90%
■ Ground water, 6%
■ Community water, 4%



### Distribution of transport usage

■ Ship, 71.9%
■ Truck, 21.5%
■ Rail, 6.6%



### Distribution of electricity supply

■ Co-generation, 16%
■ Grid supply, 84%

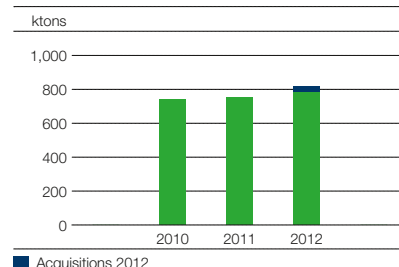


### Distribution of fuel supply

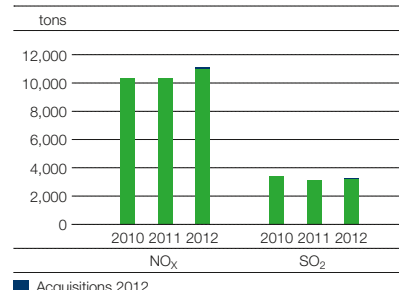
■ Biofuel, 52.5%
■ Oil, 2.8%
■ Electric boiler, 0.6%
■ N-gas+LPG, 42.9%
■ Coal, 1.2%



### Emissions from transport, CO<sub>2</sub>\*



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



\* To enable comparison between the years, the units sold in 2012 have also been removed from RMS data for 2010 and 2011.



tons and m<sup>3</sup>, are shown in the tables that present Group emissions in 2010, 2011 and 2012.

#### Emissions to air

Air emissions comprise emissions from all combustion units at SCA's production sites, including fossil fuel and biofuel emissions and emissions from purchased thermal energy. When energy (primarily thermal energy and/or electricity) is supplied to an external facility, air emissions are reduced in relation to the energy amount delivered and the reduction is distributed among SCA's main products.

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

The stated CO<sub>2</sub> figures may differ somewhat from those reported to local authorities under the EU Emissions Trading Scheme (ETS). This is because the countries participating in ETS use different limits and definitions for their calculations, while SCA calculates and presents RMS data according to a separate set of rules. A global company such as SCA, with operations on several continents, needs a single set of rules for calculating data to enable uniform reporting and monitoring of emissions levels.

Carbon dioxide emissions from SCA's use of fossil fuels corresponded to 1,588 ktons and purchased electricity to 1,617 ktons during the year.

Sulfur (SO<sub>2</sub>) emissions were significantly cut during the year. The major reduction is primarily the result of the switch from fossil fuel to biofuel at Östrand pulp mill in Sweden, and improved separation of sulfur at the CHP plant at Mannheim paper mill in Germany.

#### Air emissions from transport

A large portion of SCA's air emissions is generated by transport, rather than the company's production activities. Transport emissions are not included in the tables "Raw materials, energy, and emissions" on page 64, but are presented in the diagrams below.

#### Emissions to water

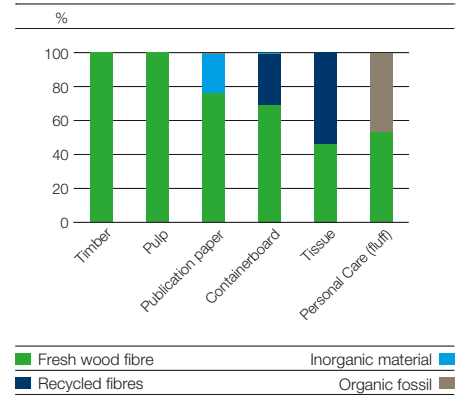
SCA's effluent water is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. The total volume of discharged process water is 115 Mm<sup>3</sup>. This water is treated using methods similar to those employed at municipal wastewater treatment facilities. The figures for 2012 refer to process water emissions.

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

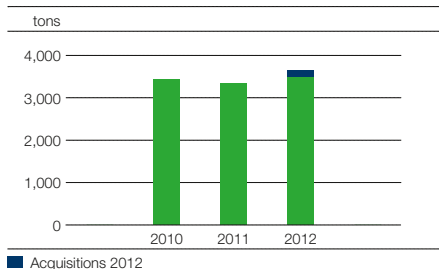
#### Solid waste

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

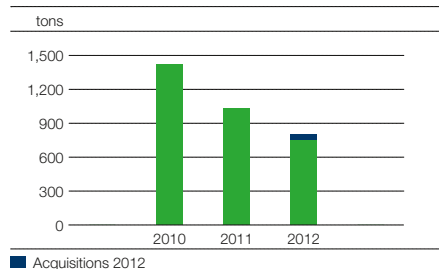
#### Distribution of raw materials



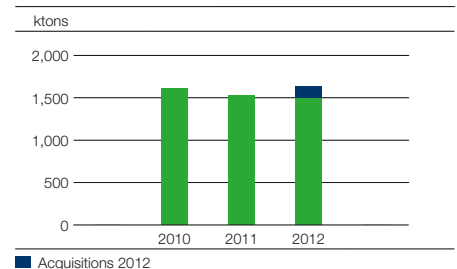
#### Air emissions, NO<sub>x</sub>\*



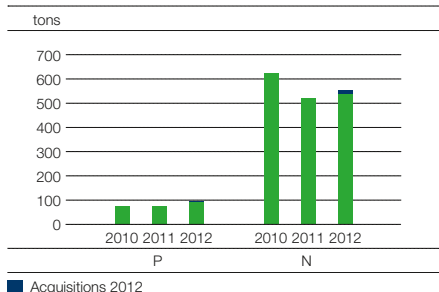
#### Air emissions, SO<sub>2</sub>\*



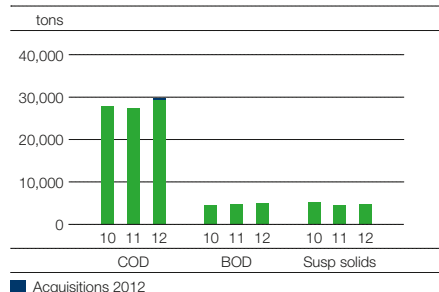
#### Air emissions, CO<sub>2</sub> fossil\*



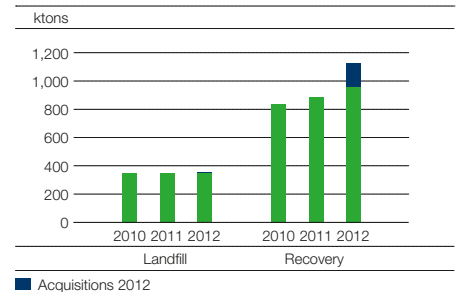
#### Water effluents P, N\*



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



#### Distribution of solid waste\*



\* To enable comparison between the years, the units sold in 2012 have also been removed from RMS data for 2010 and 2011.

# Environmental data

## Raw materials, energy and emissions

		Forest Products		Tissue Products		Personal Care		SCA Group Total	
		2012	2011	2012*	2011	2012	2011	2012*	2011
<b>Production</b>									
Paper and pulp	ktons	2,289	2,262	2,871	2,483	-	-	5,160	4,746
Personal Care products	ktons	-	-	-	-	595	545	595	545
Timber and solid wood products	1,000 m <sup>3</sup>	2,071	2,006	-	-	-	-	2,071	2,006
<b>1. Raw materials</b>									
Wood/saw mill chips**	ktons	4,189	4,467	407	432	0	0	4,596	4,899
Purchased pulp*	ktons	62	61	1,249	1,033	346	342	1,658	1,436
Purchased paper	ktons	0	0	47	62	0	0	47	62
Recovered paper	ktons	340	299	1,944	1,662	0	0	2,284	1,961
Inorganic material	ktons	207	213	0	0	0	0	207	213
Organic fossil material	ktons	12	13	0	3	302	271	314	286
Water	Mm <sup>3</sup>	112	118	96	90	1	0	210	208
<b>2. Energy</b>									
<b>Electricity</b>									
Co-generation	GWhe	750	777	514	504	0	0	1,264	1,281
Grid supply	GWhe	2,527	2,597	3,558	3,102	431	411	6,516	6,110
<b>TOTAL</b>	<b>GWhe</b>	<b>3,276</b>	<b>3,374</b>	<b>4,072</b>	<b>3,606</b>	<b>431</b>	<b>411</b>	<b>7,780</b>	<b>7,391</b>
<b>Fuels</b>									
Biofuel	TJfuel	26,125	25,917	4,467	4,392	0	0	30,592	30,309
Fossil fuel	TJfuel	1,590	2,223	25,273	23,367	274	204	27,138	25,794
Electric boiler/hood	TJfuel	202	107	176	156	0	0	378	263
<b>TOTAL</b>	<b>TJfuel</b>	<b>27,918</b>	<b>28,248</b>	<b>29,916</b>	<b>27,915</b>	<b>274</b>	<b>204</b>	<b>58,108</b>	<b>56,367</b>
of which co-gen.	TJfuel	3,170	3,283	2,432	3,263	0	0	5,602	6,546
<b>3. Emissions</b>									
<b>To air</b>									
NO <sub>x</sub> as NO <sub>2</sub>	tons	1,614	1,625	1,927	1,695	24	20	3,564	3,340
SO <sub>2</sub>	tons	323	576	479	457	0	0	802	1,033
Dust	tons	203	156	166	138	0	0	368	294
CO <sub>2</sub> fossil	ktons	122	171	1,450	1,341	15	12	1,588	1,524
CO <sub>2</sub> fossil, grid electricity	ktons	112	114	1,345	1,246	160	151	1,617	1,511
CO <sub>2</sub> biogenic	ktons	2,657	2,649	568	550	0	0	3,225	3,199
<b>To water</b>									
COD	tons	19,135	18,516	10,127	8,965	15	0	29,277	27,480
BOD	tons	3,190	3,256	1,729	1,517	1	0	4,920	4,773
Suspended solids	tons	2,729	2,888	1,933	1,584	1	0	4,663	4,472
AOX	tons	13	11	3	2	0	0	16	12
P	tons	47	43	46	32	0	0	93	75
N	tons	334	299	220	220	1	0	555	519
Effluent water	Mm <sup>3</sup>	44	45	71	64	0	0	115	109
<b>Solid waste</b>									
Landfill	tons	8,606	8,631	345,890	337,284	3,123	2,069	357,619	347,984
Recovery	tons	160,499	142,272	909,630	688,577	57,187	55,607	1,127,317	886,456
Hazardous	tons	1,764	1,158	2,246	1,230	48	32	4,058	2,420

\* Including companies acquired in 2012.

\*\* Partly internal deliveries.

## Facts about the plants – Personal Care

		Mölnlycke Sweden	Falkenberg Sweden	Gennep The Netherlands	Hoogeveen The Netherlands	Olawa Poland	Gemerská Hôrka Slovakia	Hondouville* France	Verioy Russia	Drummondville Canada	Bowling Green US	Selangor Malaysia	Springvale Australia	Te Rapa New Zealand	Ecatepec Mexico	Guadalajara Mexico	Calla Colombia	Rionegro Colombia	<b>Personal Care 17 plants</b>	<b>Total</b>
<b>2012 Grades</b>																				
<b>Production</b>	ktons	<b>4</b>	<b>83</b>	<b>85</b>	<b>88</b>	<b>75</b>	<b>29</b>	<b>2</b>	<b>9</b>	<b>33</b>	<b>27</b>	<b>58</b>	<b>6</b>	<b>1</b>	<b>33</b>	<b>18</b>	<b>24</b>	<b>22</b>		<b>595</b>
<b>Energy</b>																				
<b>Electricity</b>																				
Co-generation	GWhe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Grid supply	GWhe	5	47	36	77	49	30	9	9	27	27	43	9	1	22	8	17	15		431
<b>Total</b>	<b>GWhe</b>	<b>5</b>	<b>47</b>	<b>36</b>	<b>77</b>	<b>49</b>	<b>30</b>	<b>9</b>	<b>9</b>	<b>27</b>	<b>27</b>	<b>43</b>	<b>9</b>	<b>1</b>	<b>22</b>	<b>8</b>	<b>17</b>	<b>15</b>		<b>431</b>
<b>Fuels</b>																				
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Fossil fuel	TJfuel	12	0	29	79	22	28	56	28	4	8	1	0.0	0	0	0	3	2		274
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
<b>Total</b>	<b>TJfuel</b>	<b>12</b>	<b>0</b>	<b>29</b>	<b>79</b>	<b>22</b>	<b>28</b>	<b>56</b>	<b>28</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>		<b>274</b>
of which co-gen.	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
<b>Emissions</b>																				
<b>To air</b>																				
NOx as NO <sub>2</sub>	tons	1.2	0	2.9	7.9	2.2	2.8	2.2	2.8	0.4	0.8	0.1	0	0	0	0	0.2	0.1		24
SO <sub>2</sub>	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Dust	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
CO <sub>2</sub> fossil	ktons	0.8	0	1.6	4.4	1.2	1.6	3.2	1.5	0.2	0.5	0.1	0	0	0	0	0.2	0.1		15
CO <sub>2</sub> fossil, grid electricity	ktons	0.2	2.0	13.4	28.7	31.3	6.8	0.8	3.0	4.5	13.8	28.0	7.8	0.2	10.1	3.6	3.0	2.7		160
CO <sub>2</sub> biogenic	ktons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
<b>To water</b>																				
COD	tons	0	0	0	0	0	0	15	0	0	0	0	0	0	0	0	0	0		15
BOD	tons	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0		1
Suspended solids	tons	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0		1
AOX	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
P	tons	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
N	tons	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0		1
Effluent water	Mm <sup>3</sup>	0	0	0	0	0	0	0.2	0	0	0	0	0	0	0	0	0	0		0
<b>Solid waste</b>																				
Landfill	tons	0	0	0	0	469	130	258	101	151	0	2	484	N/A	1,095	246	0	188		3,123
Recovery	tons	156	6,955	5,453	9,046	7,323	6,959	1,416	1,042	3,421	3,507	2,172	478	475	2,612	1,183	1,963	3,026		57,187
Hazardous	tons	0	0	0	0	0.0	3	36	0	3	4	0	0	N/A	0	0	1	1		48

\* Data relates to the July–December 2012 period.

## Facts about the plants – Tissue

		Edet Sweden	Jönköping Sweden	Drammen Norway	Nokia* Finland	Prudhoe UK	Stubbins* UK	Chesterfield UK	Oakenholt UK	Manchester UK	Stemert Belgium	Mannheim tissue Germany	Mannheim pulp Germany	Mannheim Total Germany	Kostheim Germany	Neuss Germany	Witzenhausen Germany
<b>2012 Grades</b>		ti	ti	ti	ti	ti	ti	ti	ti	ti	ti, gp	ti	mp	ti	ti	ti	ti, nw
<b>Production</b>	ktons	<b>95</b>	<b>15</b>	<b>15</b>	<b>34</b>	<b>138</b>	<b>44</b>	<b>24</b>	<b>62</b>	<b>46</b>	<b>69</b>	<b>304</b>	<b>212</b>	<b>324</b>	<b>85</b>	<b>108</b>	<b>30</b>
<b>Energy</b>																	
<b>Electricity</b>																	
Co-generation	GWhe	9	0	0	0	0	0	0	0	0	0	53	207	260	21	0	0
Grid supply	GWhe	131	19	22	53	143	57	31	52	101	78	296	0	296	93	139	27
<b>Total</b>	GWhe	<b>140</b>	<b>19</b>	<b>22</b>	<b>53</b>	<b>143</b>	<b>57</b>	<b>31</b>	<b>52</b>	<b>101</b>	<b>78</b>	<b>384</b>	<b>161</b>	<b>556</b>	<b>113</b>	<b>139</b>	<b>27</b>
<b>Fuels</b>																	
Biofuel	TJfuel	564	65	0	0	0	0	0	0	0	0	61	3,759	3,820	0	0	0
Fossil fuel	TJfuel	170	54	14	339	1043	433	242	501	561	503	1733	2,229	3,962	806	673	176
Electric boiler	TJfuel	64	0	112	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	TJfuel	<b>798</b>	<b>119</b>	<b>126</b>	<b>339</b>	<b>1,043</b>	<b>433</b>	<b>242</b>	<b>501</b>	<b>561</b>	<b>503</b>	<b>1,794</b>	<b>5,988</b>	<b>7,782</b>	<b>806</b>	<b>673</b>	<b>176</b>
of which co-gen.	TJfuel	38	0	0	0	0	0	0	0	0	0	207	53	260	0	0	0
<b>Emissions</b>																	
<b>To air</b>																	
NOx as NO <sub>2</sub>	tons	48	9	1	21	24	43	5	67	12	40	65	575	641	9	29	0.1
SO <sub>2</sub>	tons	2	1	0	0	6	0	3	5	0	0	13	277	289	0.3	0.1	0.1
Dust	tons	0.1	0.1	0	0	0	0	0	0	1	0.2	0.4	59	59	0	2	0
CO <sub>2</sub> fossil	ktons	10	4	1	19	58	24	14	28	31	28	133	90	223	45	38	10
CO <sub>2</sub> fossil, grid electricity	ktons	6	0.8	0.9	11	64	24	14	23	45	17	127	0	127	40	60	12
CO <sub>2</sub> biogenic	ktons	71	6	0	0	0	0	0	0	0	0	140	350	490	0	0	0
<b>To water</b>																	
COD	tons	321	93	123	141	137	E/T	E/T	48	E/T	84	206	3,888	4,094	112	89	E/T
BOD	tons	58	33	N/A	17	4	E/T	E/T	6	E/T	33	63	229	291	7	5	E/T
Suspended solids	tons	67	17	25	17	19	E/T	E/T	9	E/T	35	52	189	240	2	5	E/T
AOX	tons	0	0.3	0	0.4	0	E/T	E/T	0	E/T	0.2	0.3	0	0.3	0	0.2	E/T
P	tons	0.8	0.1	0.4	0.4	0	E/T	E/T	0	E/T	0.7	2	8	10	0.7	0.3	E/T
N	tons	14	3	6	4	0.3	E/T	E/T	0	E/T	2	16	58	74	5	8	E/T
Effluent water	Mm <sup>3</sup>	3	0.3	0.8	2	2	0.8	0.5	0.4	0.8	0.8	3	13	16	1	0.9	0.03
<b>Solid waste</b>																	
Landfill	tons	17	0	25,057	2,233	6,635	2,692	131	0	264	122	280	274	210	0	0	0
Recovery	tons	35,686	13,793	1,152	35,509	73,764	55,274	37,755	4,358	5,669	4,541	40,239	30,289	70,688	75,983	3,834	394
Hazardous	tons	12	6	1	6	72	8	0	21	20	45	0	42	196	56	28	19

\* Data relates to the July–December 2012 period.

ti = tissue paper reels and/or  
tissue consumer products  
nw = non-woven  
gp = grease-proof paper  
pp = packaging paper

bsi = bleached sulphite pulp  
mp = market pulp  
E/T = external treatment  
N/A = data not available



	Cuijk* The Netherlands	Friesland The Netherlands	Gien* France	Hondouville* France	Kunheim* France	Le Thell France	Orleans France	Ortmann Austria	Allo* Spain	Valls Spain	Mediona Spain	Patras* Greece	Sovetsk Russia	Svetogorsk Russia	Lucca 1 Italy	Colodi Italy	Altopascio Italy
	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti
	26	6	66	34	23	62	28	129	58	149	36	7	31	48	126	37	25
	0	0	0	0	0	0	0	81	0	0	0	0	0	0	62	0	29
	36	11	123	60	37	61	81	63	73	158	39	8	44	58	55	34	7
	36	11	123	60	37	61	81	144	73	158	39	8	44	58	117	34	37
	2	0	0	0	0	0	0	15	0	0	0	0	0	0	0	0	0
	180	41	721	249	228	354	443	1,311	348	758	249	46	295	391	1,310	256	390
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	182	41	721	249	228	354	443	1,326	348	758	249	46	295	391	1,310	256	390
	0	0	0	0	0	0	0	438	0	0	0	0	0	0	748	0	269
	2	1	42	9	1	19	44	44	35	76	25	7	16	34	132	18	28
	0.2	0	57	0.2	0.1	0.2	0	0	0	0	0	0	0	0	0	0	0
	0	0	1	0.2	1	0	0	0	0	0	0	0.1	1	5	0	0	0
	10	2	45	14	13	20	25	73	19	42	14	3	17	22	73	14	22
	13	4	10	5	3	5	7	10	21	47	12	5	14	19	21	13	3
	0	0	0	0	0	0	0	0.8	0	0	0	0	0	0	0	0	0
	22	E/T	94	77	54	26	390	217	43	30	0	E/T	58	E/T	E/T	E/T	E/T
	3	E/T	12	4	9	6	29	11	10	N/A	0	E/T	9	E/T	E/T	E/T	E/T
	12	E/T	6	7	13	1	121	26	9	2	0	E/T	11	E/T	E/T	E/T	E/T
	0	E/T	1	0.1	0.3	0	0	0.2	0	0.1	0	E/T	0	E/T	E/T	E/T	E/T
	0.2	E/T	0.1	0.4	0.1	0	0	2.0	0	0.3	0	E/T	1	E/T	E/T	E/T	E/T
	1	E/T	6	4	1	1	0	8.0	3	1.2	0	E/T	4	E/T	E/T	E/T	E/T
	0.4	0.2	0.9	1.0	0.5	0.3	0.7	3.7	0.8	0.3	0	0.08	0.7	1.4	0.2	0.2	0.2
	7	0	438	4,316	87	0	0	0	1,886	228	187	39	7,376	54,041	183	1,064	18
	18,910	2,437	4,360	54,133	844	3,343	868	105,930	719	9,252	3,104	424	38,475	3,036	1,391	243	589
	18	2	71	88	242.42	30	0	38	83	57	33	0.2	7	4	52	9	30

Cont. &gt;&gt;&gt;

## Facts about the plants – Tissue, cont.

		Barton US	Flagstaff US	Menasha US	South Glens Falls US	Monterrey Mexico	Sahagun Mexico	Uruapan Mexico	Lasso Ecuador	Pisa Chile	Cajica Colombia	Medellin Colombia	Box Hill Australia	Kawerau New Zealand	Total Tissue 44 mills
<b>2012 Grades</b>		ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	ti	
<b>Production</b>	ktons	159	56	190	75	60	57	35	25	48	37	39	59	52	2871
<b>Energy</b>															
<b>Electricity</b>															
Co-generation	GWhe	0	0	0	0	0	0	52	0	0	0	0	0	0	514
Grid supply	GWhe	267	66	323	103	73	88	11	37	79	73	54	127	67	3,558
<b>Total</b>	GWhe	267	66	323	103	73	88	63	37	79	73	54	127	67	4,072
<b>Fuels</b>															
Biofuel	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	4,467
Fossil fuel	TJfuel	1,309	463	1,650	677	474	510	792	204	475	287	404	833	147	25,273
Electric boiler	TJfuel	0	0	0	0	0	0	0	0	0	0	0	0	0	176
<b>Total</b>	TJfuel	1,309	463	1,650	677	474	510	792	204	475	287	404	833	147	29,916
of which co-gen.	TJfuel	0	0	0	0	0	0	679	0	0	0	0	0	0	2432
<b>Emissions</b>															
<b>To air</b>															
NOx as NO <sub>2</sub>	tons	36	10	65	16	47	22	79	9	59	2	38	47	16	1,927
SO <sub>2</sub>	tons	0.3	0.1	0.5	0.2	0	0.1	0	18	0	1	94	0.5	0	479
Dust	tons	4	1	38	0	0	2	0	8	2	0.3	37	3	0	166
CO <sub>2</sub> fossil	ktons	73	26	92	38	27	29	44	16	36	16	32	47	12	1,450
CO <sub>2</sub> fossil, grid electricity	ktons	136	33	164	53	33	40	5	0	30	13	9	155	14	1,345
CO <sub>2</sub> biogenic	ktons	0	0	0	0	0	0	0	0	0	0	0	0	0	568
<b>To water</b>															
COD	tons	610	528	N/A	N/A	754	482	31	456	123	279	611	E/T	E/T	10,127
BOD	tons	78	17	87	262	115	118	21	228	31	20	190	E/T	15	1,729
Suspended solids	tons	145	74	118	152	23	30	14	57	21	439	217	E/T	E/T	1,933
AOX	tons	N/A	0	0	N/A	0	0	0	0	0	0	0	E/T	E/T	3
P	tons	12	2	4	N/A	4	4	0.1	0	0	2	0.7	E/T	E/T	46
N	tons	23	2	N/A	N/A	33	8	1.0	0	0	8	0	E/T	E/T	220
Effluent water	Mm <sup>3</sup>	8	0.3	8	3	1	1	0.8	0.7	1.9	1.0	0.7	0.8	1.4	71
<b>Solid waste</b>															
Landfill	tons	140,650	4,196	26,792	1,093	2,083	19,141	2,837	0	41,869	0	0	0	0	345,890
Recovery	tons	764	34,417	6	86,450	38,737	40,713	40,764	0	371	0	0	368	585	909,630
Hazardous	tons	75	6	17	2	12	43	14	0	0	0	0	165	659	2,246

ti = tissue paper reels and/or  
tissue consumer products  
nw = non-woven  
gp = grease-proof paper  
pp = packaging paper

bsi = bleached sulphite pulp  
mp = market pulp  
E/T = external treatment  
N/A = data not available

## Facts about the plants – Forest Products

							Total		
							Pulp and paper 4 mills	Forest operations 8 mills	Forest Products
2012 Grades		np, lwc	bk, ctmp	wtl, kl	tl, kl	sc	solid-wood products		
<b>Production</b>	ktons	<b>845</b>	<b>510</b>	<b>337</b>	<b>435</b>	<b>534</b>	<b>2,127</b>	<b>162</b>	<b>2,289</b>
	1,000 m <sup>3</sup>							<b>2,071</b>	<b>2,071</b>
<b>Energy</b>									
<b>Electricity</b>									
Co-generation	GWhe	57	437	167	89	415	750	0	750
Grid supply	GWhe	1,912	68	145	235	190	2,361	166	2,527
<b>Total</b>	GWhe	<b>1,969</b>	<b>506</b>	<b>312</b>	<b>324</b>	<b>623</b>	<b>3,110</b>	<b>166</b>	<b>3,276</b>
<b>Fuels</b>									
Biofuel	TJfuel	2,479	12,162	5,290	4,504	0	24,435	1,690	26,125
Fossil fuel	TJfuel	495	251	349	355	4,461	1,450	140	1,590
Electric boiler	TJfuel	155	0	39	0	0	194	8	202
<b>Total</b>	TJfuel	<b>3,129</b>	<b>12,414</b>	<b>5,678</b>	<b>4,859</b>	<b>4,461</b>	<b>26,080</b>	<b>1,838</b>	<b>27,918</b>
of which co-gen.	TJfuel	253	1,841	702	374	2,162	3,170	0	3,170
<b>Emissions</b>									
<b>To air</b>									
NOx as NO <sub>2</sub>	tons	197	706	360	267	118	1,530	83	1,614
SO <sub>2</sub>	tons	61	167	69	20	0	316	7	323
Dust	tons	32	39	39	30	0	139	63	203
CO <sub>2</sub> fossil	ktons	36	20	28	28	250	111	11	122
CO <sub>2</sub> fossil, grid electricity	ktons	84	3	8	10	99	105	7	112
CO <sub>2</sub> biogenic	ktons	248	1222	558	476	0	2,504	152	2,657
<b>To water</b>									
COD	tons	5,326	6,622	5,026	2,067	1,029	19,041	94	19,135
BOD	tons	392	603	1,862	226	45	3,083	107	3,190
Suspended solids	tons	603	196	1,000	929	72	2,728	1	2,729
AOX	tons	2	5	3	2	0	12	0	13
P	tons	5	15	11	13	3	45	1	47
N	tons	91	147	41	56	2	334	3	334
Effluent water	Mm <sup>3</sup>	13	16	9.9	5.9	7	44	0.1	44
<b>Solid waste</b>									
Landfill	tons	458	9	2,620	318	0	3,404	5,202	8,606
Recovery	tons	39,232	67,629	14,828	38,018	167,925	159,707	792	160,499
Hazardous	tons	435	505	124	63	108	1,126	637	1,764

\* Divestment decision was taken in 2012. Not included in "Total".

np = newsprint  
 sc = SC paper  
 lwc = LWC paper  
 ctmp = chemical thermomechanical pulp  
 bk = bleached kraft pulp  
 wtl = white-top liner  
 kl = kraftliner  
 tl = testliner  
 N/A = data not available

# Social data

	2012	2011	2010	2009	2008
Average number of employees	33,775 <sup>1)</sup>	43,697	45,341 <sup>2)</sup>	49,531	51,999
of whom female, %	29	27	26	27	29
Employees leaving the company	3,993	5,207	4,269	5,768	7,511
Employees joining the company	6,344	4,809	4,262	3,832	6,255
Age distribution, %					
–20 years	2	2	2	2	3
21–30 years	17	18	18	20	20
31–40 years	28	27	28	29	29
41–50 years	30	30	30	29	29
51–60 years	21	20	19	18	17
60+ years	3	3	3	2	2
Employee turnover, %	12	12	9	12	14
Academic degree or similar	18	14	16	15	13
Competence development, hours per employee	17	19	18	14	9 <sup>3)</sup>
Diversity:					
Nationalities, top 300 managers	30	31	24	27	28
Nationalities, top 1,000 managers	39	44	42	41	39
Female managers of top 300 managers, %	25	16	16	13	12
Female managers of top 1,000 managers, %	29	21	20	20	19
Women, of total number of Board members and senior executives, %	21	16	14	18	14
<b>Health and safety</b>					
Lost Time Accidents (LTA)	477	492	569	564	685
Days Lost (DLA)	8,539	11,070	13,810	15,947	16,181
Accident Severity Rate (ASR), %	17.9	22.5	24.3	28.3	23.7
Incident Rate, %	1.5	1.3	1.5	1.4	1.6
Frequency Rate (FR), %	8.5	7.1	8.3	7.3	8.5
Fatalities	1	1	1	2	0
<b>Code of Conduct</b>					
Business Practice Reviews	Hungary, Malaysia	Central America, Greece	Italy, Mexico	Russia	3 reviews, Eastern Europe
Code of Conduct audits	Russia, US, Sweden, Poland	Malaysia, Russia	Mexico	–	–

<sup>1)</sup> The personnel reduction is mainly due to divestment of the packaging operations, excluding two Swedish liner mills.

<sup>2)</sup> The personnel reduction of 4,200 persons is attributable to the divestment of the Asian packaging operations.

<sup>3)</sup> Training hours for 2008 and 2009 are reported in accordance with different systems.



# About this Report

This Report describes SCA's sustainability initiatives from an environmental, social and economic perspective. SCA publishes a Sustainability Report each year.

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

For the fifth consecutive year, SCA has prepared its Report in accordance with Global Reporting Initiative (GRI) guidelines, version 3, level A+. Accordingly, the Report has been structured in accordance with GRI principles, meaning that the content is determined by the issues that are most relevant to SCA and its stakeholders, and that the content provides a complete view of the operations. SCA reports, with a few exceptions, in accordance with all Global Reporting Initiative recommended key performance indicators (KPIs) and a number of supplementary indicators. The GRI indicators encompass the material parts of the operations.

The entire Sustainability Report has been reviewed by PwC. More detailed information about SCA's work on environmental and social issues is available at [www.sca.com](http://www.sca.com).

The environmental and social data reported pertains to the 2012 calendar year. The figures cover the SCA Group, wholly owned subsidiaries and subsidiaries in which SCA owns at least 50% of the company. If SCA's ownership of a plant or mill is 50% or more, the entire facility is included. Newly acquired businesses are integrated when they have been part of the Group for one calendar year. Exceptions to this rule are made when an acquisition is of a significant size. This was the case, for example, with last year's acquisition of Georgia-Pacific Tissue, which is why data is included for half of the year (see

below). When adjustments have been made compared with earlier reports, a note is appended directly beside the text or table. Environmental data includes data from manufacturing operations and office locations, but not from corporate staffs, offices or employees in joint ventures.

## Data collection

Data provided in the Report is compiled through various systems, primarily the Group's ABS accounting system, Resource Management System (RMS) and GRI reporting system. Certain social data such as details about salaries, pensions, level of education, costs for skills development and other data pertaining to employees is reported either quarterly or annually through ABS. Other GRI data is reported annually through the GRI system.

Certain data is presented for comparison, meaning adjustments are made for acquisitions and divestments.

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

The RMS covers more than 73 production sites, covering virtually the entire company's environmental impact and resource utilization from production. Each unit reports the following data to the system:

- raw material consumption
- incoming and outgoing shipments
- production volumes
- energy consumption broken down by hydro-electric power, co-generation and power from the grid
- fuel consumption broken down by biofuels, fossil fuels and electric boilers
- air emissions, including data on fossil and biogenic carbon dioxide
- water emissions
- solid waste

The data is reported both internally and externally at the mill level, business group level and for the Group as a whole.

## Major changes in 2012

As mentioned above, SCA implemented a number of acquisitions and divestments at the end of 2011 and during 2012. The divested units (the packaging operations, excluding the kraftliner mills in Munksund and Piteå, and Aylesford Newsprint) were excluded from the environmental and resource data for 2012 and from comparative years. The paper mill in Laakirchen, Austria, is included in the environmental data for the mill, but excluded from the carbon dioxide target outcome. The units acquired from Georgia-Pacific's tissue operations were included in the environmental and resource data for half of 2012. These divestments were also excluded from health and safety results and other social data (page 70) and acquisitions were added for half of 2012. However, comparative figures for previous years remain unchanged. The acquisitions were wholly or partially included in the social GRI reporting.

# Auditor's Combined Assurance Report on the Sustainability Report

## To the readers of the Svenska Cellulosa Aktiebolaget SCA (publ) Sustainability Report 2012

We have been engaged by the management of Svenska Cellulosa Aktiebolaget SCA (publ) to perform an examination of the SCA Sustainability Report for the year 2012. 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 examination.

### The scope of the examination

We have performed the assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. The objective of an audit is to obtain reasonable assurance that the information in the Sustainability Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A review is mainly limited to making inquiries of personnel responsible for sustainability issues, and applying analytical and other review procedures. Hence, the conclusion based on our review procedures does not comprise the same level of assurance as the conclusion of our audit. Since this assurance engagement is combined, our conclusions regarding the audit and the review will be presented in separate sections.

Our assurance engagement includes examination of the following areas, with the purpose of either providing reasonable assurance (hereafter referred to as audit) or limited assurance (hereafter referred to as review):

1. Our review has included all pages in the Sustainability Report.
2. Our audit is limited to the following information:
  - a. environmental data regarding wood/sawmill chips, fossil fuels, and COD (chemical oxygen demand) on page 64.

Our assurance, reasonable or limited, does not comprise the assumptions used by the company or whether or not it is possible for the company to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our examination 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.

### Review procedures

The main procedures of our review have included the following:

- a. update of our knowledge and understanding of SCA's organization and activities,
- b. assessment of the outcome of the company's stakeholder dialogue,
- c. interviews with management at group level and at selected business units 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,
- i. reconciliation of the reviewed information with the sustainability information in the company's Annual Report for the financial year 2012.

### Audit procedures

Our audit has included the following procedures:

- a. evaluation of design and functionality of relevant internal controls within the systems and processes used to collect, manage and validate information on the selected indicators during the reporting period.
- b. reconciliation of reported information with internal and external source documents, and performing detailed tests of the selected indicators regarding wood/sawmill chips, fossil fuels, and COD (chemical oxygen demand) on page 64 in the Sustainability Report.

We consider the evidence collected during our examination to be sufficient and appropriate in order to support our conclusions listed below.

### Conclusions

#### *Our conclusion based on our review*

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

#### *Our conclusion based on our audit*

In our opinion, the information in the SCA Sustainability Report which has been subject to our audit has, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 28 February 2013

PricewaterhouseCoopers AB



Anders Lundin  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of Far

# Global Compact Report

SCA became a member of the United Nations corporate citizenship initiative, Global Compact, in July 2008, joining a network of more than 10,000 businesses and other participants from more than 130 countries in promoting ten core principles in the areas of human rights, labour, environment and anti-corruption.

As a part of this commitment, SCA will report on the company's corporate responsibility activities and performance in an annual Communication on Progress (COP), using the Sustainability Report as a vehicle for this communication. The Sustainability Report provides a number of examples of ongoing activities, as well as key performance indicators clearly showing that SCA supports the ten Global Compact principles in its everyday business.

The SCA Code of Conduct is an important internal document, guiding and aligning employee behaviour with the Global Compact principles. Regular reviews of business practices are conducted throughout the organisation to ensure compliance with the Code of Conduct.

Measurements of performance related to the Global Compact principles are given throughout the report using indicators suggested by the Global Reporting Initiative (GRI), wherever possible. In particular, GRI performance indicators relating to human rights, labour and anti-corruption principles are presented in the Social Responsibility section, and environmental performance indicators reported through the RMS system are presented in the Control and Assurance section. A complete GRI index is available at [www.sca.com](http://www.sca.com)

## UNGC and GRI cross reference table

The following table shows how performance in relation to each UN Global Compact principle can be reported via a number of Global Reporting Initiative (GRI) standard performance indicators. This is based on guidance documents published by the UN Global Compact.



UNGC principles	GRI indicators
<b>Human Rights</b>	
1. Businesses should support and respect the protection of internationally proclaimed human rights	HR1-9, EC5, LA6-9, 13-14, SO5, PR1-2, 8
2. Businesses should make sure that they are not complicit in human rights abuses	HR1-9, SO5
<b>Labour</b>	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4-5, HR1-3, 5, SO5
4. Businesses should uphold the elimination of all forms of forced and compulsory labour	HR1-3, 7, SO5
5. Businesses should uphold the effective abolition of child labour	HR1-3, 6, SO5
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA2, 13-14, HR1-4, EC7, SO5
<b>Environment</b>	
7. Businesses should support a precautionary approach to environmental challenges	EC2, EN18, 26, 30, SO5
8. Businesses should undertake initiatives to promote greater environmental responsibility	EN1-30, SO5, PR3-4
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	EN2, 5-7, 10, 18, 26-27, 30, SO5
<b>Anti-corruption</b>	
10. Businesses should work against corruption in all its forms, including extortion and bribery	SO2-6

# GRI Index

SCA's Sustainability Report for 2012 follows Global Reporting Initiative guidelines (version G3). The following index shows where information can be found: this Sustainability Report (SR), Annual Report (AR), or SCA's Group website (sca.com), which contains the corresponding GRI index with direct links. The table includes all core indicators and the supplementary indicators that are applicable to SCA's operations.

The GRI Guidelines are the most widely accepted and used standard for sustainability reporting. This is the fifth report in which SCA applies GRI guidelines. SCA is reporting on the A+ level as defined by GRI, which has been confirmed by PwC.

PROFILE	
1. STRATEGY & ANALYSIS	
1.1 CEO's comments	SR 2–3
1.2 Description of key impacts, risks and opportunities	AR 56–61
2. ORGANISATIONAL PROFILE	
2.1 Name of the organisation	AR 111
2.2 Primary brands, products, and services	AR 10–11, 26, 34, 40
2.3 Operational structure of the org.	SR 60–61, AR 20
2.4 Location of organisation's headquarters	SR back cover
2.5 Countries where the organisation is active	AR 84
2.6 Nature of ownership and legal form	AR 12–13
2.7 Markets	AR 27, 35, 43
2.8 Size of the organisation	SR inside cover, AR inside cover
2.9 Significant changes during the reporting period	AR 21
2.10 Awards received during the reporting period	SR inside cover
3. REPORT PARAMETERS	
Report profile	
3.1 Reporting period	SR 71, AR 74
3.2 Date of most recent previous report	SR 71
3.3 Reporting cycle (12 months, 24 months, etc.)	SR 71
3.4 Contact person for questions regarding the report	SR back cover
Report scope & boundaries	
3.5 Process for defining report content	SR 12–13, 71
3.6 Boundary of the report	SR 71
3.7 Specific limitations on the scope or boundary of the report	SR 71
3.8 Basis for reporting on joint ventures, subsidiaries, etc	SR 62, 71
3.9 Data measurement and calculation principles	SR 71
3.10 Comparability with previous reports	SR 71
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	SR 71
GRI content index	
3.12 Table identifying the location of the Standard Disclosures in the report	SR 74–75
3.13 Policy and current practice in regard to external verification of the report	SR 72
4. GOVERNANCE, COMMITMENTS & ENGAGEMENT	
Governance	
4.1 Governance structure for the organisation	AR 46–47, SR 60–61
4.2 The Chairman of the Board's role in the organisation	AR 46–47, SR 60–61
4.3 Independent and/or non-executive Board members	AR 48
4.4 Methods for shareholders and employees to propose recommendations, etc. to the Board	AR 46–47, SR 60–61
4.5 Remuneration to senior executives	AR 85 (note 6), sca.com
4.6 Processes for avoiding conflicts of interests in the Board	sca.com
4.7 Processes for determining the competence of Board members	sca.com
4.8 Mission, values, Code of Conduct, etc.	SR 46
4.9 The Board's monitoring of the sustainability work	SR 60–61, sca.com
4.10 Processes for evaluating the Board's own performance	SR 60–61, sca.com

Commitments to external initiatives	
4.11 Explanations of if and how the precautionary principle is applied	sca.com
4.12 Association to external voluntary codes, principles or other initiatives	sca.com
4.13 Membership in organisations	SR 11
Stakeholder engagement	
4.14 List of stakeholder groups	SR 8–11
4.15 Basis for identification and selection of important stakeholders	SR 8–11
4.16 Approach to stakeholder relations	SR 8–11
4.17 Key topics and concerns that have been raised through dialogues with stakeholders	SR 8–11
5. ECONOMIC PERFORMANCE INDICATORS	
Disclosure on management approach	AR 8–9, SR 14–15
Economic performance	
EC1 Direct economic value and distribution	SR inside cover, 22
EC2 Risks and opportunities for the organisation due to climate changes	SR 7, 10–11, 32–35 AR 57
EC3 Coverage of the organisation's defined benefit plan obligations	SR 22, AR 101 (note 26)
EC4 Financial assistance received from government	AR 78
Market presence	
EC5 Range of ratios for standard entry level wage compared to local minimum wage	SR 22, sca.com
EC6 Purchases from local suppliers	SR 22
EC7 Local hiring and proportion of senior management hired from the local community	SR 56, sca.com
Indirect economic impact	
EC8 Infrastructure investments and services provided for public purposes	SR 58–59, sca.com
EC9 Significant indirect economic impacts, including the extent of impacts	SR 22, SR 58–59
6. ENVIRONMENTAL PERFORMANCE INDICATORS	
Disclosure on management approach	SR 15, SR 60–61
Materials	
EN1 Materials used by weight or volume	SR 62–64
EN2 Recycled input materials	SR 62–64
Energy	
EN3 Direct energy consumption	SR 62–64
EN4 Indirect energy consumption	SR 62–64
EN5 Energy saved due to conservation and efficiency improvement	SR 32–35
Water	
EN8 Total water withdrawal	SR 39, 64
Biodiversity	
EN11 Location/scope of land owned near protected areas/areas of biodiversity value	SR 38
EN12 Factors that affect biodiversity	SR 38, sca.com
Emissions, effluents & waste	
EN16 Direct and indirect greenhouse gas emissions	SR 62–64
EN17 Other relevant indirect greenhouse gas emissions	SR 62–63
EN18 Initiatives to reduce greenhouse gas emissions	SR 17, 32–33
EN19 Emissions of ozone-depleting compounds	sca.com
EN20 NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	SR 62–64
EN21 Emissions to water	SR 63–64
EN22 Waste	SR 63–64
EN23 Significant spills	sca.com



<b>Products &amp; services</b>		
EN26 Actions to reduce environmental impacts of products and services	SR 30–41	
EN27 Products sold and their packaging materials that are reused	SR 63, sca.com	
<b>Compliance</b>		
EN28 Fines and non-monetary sanctions for non-compliance with applicable laws	sca.com	
<b>Transport</b>		
EN29 Environmental impact from transport	SR 62–63	
<b>7. SOCIAL PERFORMANCE INDICATORS</b>		
<b>Disclosure of management approach</b>		
	SR 4–5, 10–15	
<b>Employment</b>		
<b>Employees</b>		
LA1 Total workforce by function, employment type and region	SR inside cover SR 57, 70	
LA2 Rate of employee turnover	SR 57, 70	
<b>Labour/management relations</b>		
LA3 Benefits provided to full-time employees	sca.com	
LA4 Percentage of employees covered by collective bargaining agreements	SR 57	
LA5 Minimum notice period(s) regarding operational changes	SR 44	
<b>Health &amp; safety</b>		
LA6 Percentage of total workforce represented in health and safety committees	SR 53	
LA7 Rates of injury, occupational diseases, lost days, work related fatalities	SR 53–54, 70	
LA8 Programs to assist workforce regarding serious diseases	SR 54, sca.com	
LA9 Health and safety topics covered in formal agreements with trade unions	SR 53	
<b>Training &amp; education</b>		
LA10 Average hours of training per year per employee	SR 57	
LA11 Programmes for skills management and lifelong learning	sca.com	
LA12 Percentage of employees receiving regular performance reviews	SR 57	
<b>Diversity &amp; equal opportunity</b>		
LA13 Composition of governance bodies and workforce	SR inside cover, 56, 70, AR 52–55, 85	
LA14 Ratio of basic salary of men to women	sca.com	
<b>Human rights</b>		
<b>Investment &amp; procurement practices</b>		
HR1 Consideration of human rights in regard to investments	SR 46	
HR2 Human rights in the supplier chain	SR 50	
HR3 Training and education in human rights	SR 49	
<b>Non-discrimination</b>		
HR4 Total number of incidents of discrimination and actions taken	SR 49	
<b>Freedom of association &amp; collective bargaining</b>		
HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken	sca.com	

<b>Child labour</b>		
HR6 Operations where there is a risk of incidents of child labour and actions taken	sca.com	
<b>Forced &amp; compulsory labour</b>		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	sca.com	
<b>Indigenous rights</b>		
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	sca.com	
<b>Society</b>		
<b>Community</b>		
SO1 Programmes for evaluating the operation's impacts on communities	SR 46, sca.com	
<b>Corruption</b>		
SO2 Business units analysed for risks related to corruption	SR 47	
SO3 Employees trained in the organisation's anti-corruption policies and procedures	SR 49	
SO4 Actions taken in response to incidents of corruption	SR 49	
<b>Public policy</b>		
SO5 Participation in public policy development and lobbying	sca.com	
SO6 Total value of financial contributions to political parties, etc.	sca.com	
<b>Anti-competitive behaviour</b>		
SO7 Total number of legal actions for anti-competitive behaviour	sca.com	
<b>Compliance</b>		
SO8 Monetary value of fines for non-compliance with applicable laws	sca.com	
<b>Product responsibility</b>		
<b>Customer health &amp; safety</b>		
PR1 Life cycle stages in which health and safety impacts of products and services are assessed	SR 41	
<b>Product &amp; service labelling</b>		
PR3 Product labelling and information	sca.com	
<b>Marketing communications</b>		
PR6 Programmes for adherence to laws, standards and voluntary codes for marketing communications	sca.com	
<b>Compliance</b>		
PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services	sca.com	

# Glossary

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

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

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

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

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

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

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

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

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

**Carbon sink** As they grow, forests transform gaseous carbon into solid form, thereby absorbing CO<sub>2</sub> whilst simultaneously producing oxygen. Forests, agricultural land and the world's oceans are considered to be "carbon sinks" by current science.

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

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

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

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

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

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

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

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

**CO<sub>2</sub>, Carbon dioxide** A gaseous compound emitted naturally through geological activity during the decomposition process and through human activity. Industry and transport and heating/cooling are currently the largest emitters of CO<sub>2</sub>.

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

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

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

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

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

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

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

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

**EDANA** International association serving the nonwovens and related hygiene industries. EDANA exists to create the foundation for sustainable growth of the nonwovens and associated hygiene industries through active promotion, education and dialogue. Website: [www.edana.org](http://www.edana.org) and [www.hapco.edana.org](http://www.hapco.edana.org)

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

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

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

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

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

**ESAVE** Structured energy-saving programme introduced by SCA in its energy intensive manufacturing units in 2003. Its aim is to substantially reduce the consumption of energy in production units.

**ETS, Emission Trading Scheme (or System)**

Greenhouse gas emission allowance trading scheme for the cost-effective reduction of such emissions in the European union, made in the context of the Kyoto Protocol. Installations operating in the paper and board industry, in the energy sector, iron and steel production and the mineral industry apply ETS as of 1 January 2005 in two initial phases; from 2005 to 2007 and from 2008 to 2012. CO<sub>2</sub> emissions are subject to permits and fines (if emissions are above the cap set for the operation). The "allowance" means the entitlement to emit 1 tonne of carbon dioxide. ETS, European Tissue Symposium Organisation based in Brussels made up of European Tissue producers, engaged in a dialogue with the European Commission, the Council of Europe and other international organisations. ETS has been involved in the development of the recently published Council of Europe Guidelines For Tissue Paper Kitchen Towels and Napkins.

**Forced Labour** This includes indentured, debt bondage or involuntary labour of any kind.

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

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

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

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

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

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

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

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

**HAPCO** Hygiene Absorbent Products Manufacturers Committee; a group member of EDANA, of which SCA is an active member; Website: [www.hapco.edana.org](http://www.hapco.edana.org).

**Hazardous waste** Material disposed of by authorised contractors, as defined by national laws. Human Rights Are based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family, and are the foundation of freedom, justice, and peace in the world. They are defined in the Universal Declaration of Human Rights (1948).

**Incidence Rate, IR** Number of incidents per 100 employees. Also see LTAs and Frequency Rate.

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

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

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

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

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

**Kraftliner** Packaging paper made of fresh wood.

**Kyoto Protocol** United Nations framework convention on climate change. Voluntary agreement between industrialised nations, ratified by Europe and the object of European directive 2003/87/EC, to reduce by 2012 the levels of man-made CO<sub>2</sub> below the level reached in 1990.

**Landfill** Solid waste material sent to a landfill.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Opacity** Degree to which something is opaque.

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

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

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

**Purchased pulp** The sum of pulp supplied to a site.

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

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

**Recovery** Solid waste material recovered in an external process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Water** Represents the sum of surface water, ground water and tap water for processes and cooling purposes. Where input water is not measured, it has been calculated as equalling the effluent water.

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

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

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