

Communication on Progress – extract from Sveaskog's Annual Report 2010

Governance for Sustainable Development

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

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

Mission from the owner

The long-term perspective is well embedded in Sveaskog's operational targets for economy, the environment and corporate social responsibility. Operations shall be carried out on a commercial basis and generate market demands for yield. Our strategic focus is based on the owner's mission and prevailing market conditions.

Responsibility and reporting

In Sveaskog's process-oriented organisation, direct responsibility for issues concerning the environment and corporate social responsibility falls to managers in the line organisation. Overall responsibility for coordinating and following up work towards the targets established by the Board and the CEO falls to the Head of Environment and Sustainable Development, who is also responsible for the annual evaluation of targets and performance.

As of 2008, Sveaskog reports in compliance with the Global Reporting Initiative (GRI). This entails reporting in accordance with the same principles as for financial reporting, with targets, key figures and indicators. The necessary structure is integrated with a cohesive operational management system. Operations are followed up using the GRI indicators selected by a working group chaired by the Head of Environment and Sustainable Development. Sustainability work is followed up by Sveaskog's Board, which presents its findings. The Board reports its work in the annual corporate governance report.

Management systems and guidelines

Sveaskog's environmental management system is ISO 14001 certified, and its forest holdings are certified in accordance with the Swedish FSC® standard. Reports on any deviations from these management systems can be made via the company's Intranet.

Our work is supported by a number of policies and guidelines. See below.

External and internal guidelines

Global Compact

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

FSC®

FSC® stands for the Forest Stewardship Council and is an international, independent membership organisation for the certification of responsible forestry. Its purpose is to assure the responsible

management of forest – socially, environmentally and economically. FSC®'s logo on products represents independent certification of forestry and product manufacture according to FSC® rules. All of Sveaskog's forests are certified. The FSC® standard spans many aspects of forestry, with annual audits by independent bodies to evaluate fulfilment. The process of FSC® certification also helps us to promote sustainable forestry worldwide.

Sveaskog's policies and guidelines

The code of conduct dictates how Sveaskog and our employees shall conduct themselves as business partners, employers and members of society.

The environmental policy provides broad principles for environmental work and covers the aspects that we and our stakeholders prioritise.

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

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

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

The anti-discrimination guidelines state that Sveaskog does not accept any form of discrimination and that such acts shall be prevented.

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

The financial policy dictates how the group's financial activities shall be formed and conducted.

The purchasing guidelines indicate how to apply and maintain good business ethics and professional conduct. We must observe both applicable laws on the purchase of goods and services and the environmental considerations of the environmental policy.

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

The guidelines for silviculture and considerations when purchasing timber include the requirement that all procured timber shall be FSC® certified.

The trade union cooperation agreement focuses on health and safety, the working environment and cooperation and is agreed between management and the trade unions.

How we govern economic impact

Our financial responsibility

Our main economic responsibility is to safeguard the long-term value of the forest. We balance the different uses of forests in a way that creates value in the long term as well as the short term. We also increase the return on forest capital by developing the use of both forest land and forest resources.

Our forest holdings represent significant economic value. The forest is a unique long-term resource. The forests we sow and plant today will not be harvested for 60-120 years. The lands we set aside for this purpose are an important part of our sustainable forestry and have an inherent value in a market characterised by increasing environmental awareness.

We pursue sustainable forestry, we manage and develop our forest holdings, we contribute returns to the owner, and with our long-term outlook we are a trustworthy supplier of forest resources. We invest in new, environmentally-sound and efficient technologies and we sell land at market prices. As a profitable business, we are able to create job opportunities, especially in rural areas. The CEO has overall responsibility for the fulfilment of our financial objectives.

The Group's business plan provides direction for the budget and business plans. Process and staff managers are responsible for their budgets.

Governing documents:

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

Targets and outcomes in 2010

Financial targets and outcomes are reported in the Annual Report.

Prioritised activities in 2011

- Increased effectiveness
- Develop biofuel business
- Leases for the establishment of wind farms
- R&D efforts

GRI indicators

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

How we govern environmental efforts

Sveaskog's responsibility

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

Our forest is FSC® certified. When we harvest the land of other forest owners, the guidelines for nature conservation apply in accordance with the FSC® standard. Timber management is certified in accordance with the FSC® traceability standard, Chain of Custody, which also includes FSC® Controlled Wood (with traceability for non-certified raw materials). We also have a certificate of traceability under the PEFC standard. As such, we have procedures for tracing the origin of all timber. We are working towards ensuring that all imports are from suppliers with their own traceability certification. In addition, since the end of 2010, we have had AEOF certification (certificate for customs simplification/security and protection).

The guidelines for timber purchases require, among other things, that all purchased timber has been harvested in accordance with applicable laws and in compliance with Sveaskog's environmental demands. We prefer to purchase timber from FSC® certified forests.

We have guidelines for nature conservation in conjunction with leases for wind power and land sales. We specify environmental requirements when leasing land for eco-tourism.

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

Governing documents

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

Targets and outcomes in 2010

Biodiversity

- 20 per cent of productive forest land in each forest region shall be used as nature conservation land.
Outcome: 20 per cent has been allocated and tools for selection, re-evaluation and restoration are available.

- Create eco-parks corresponding to 5 per cent.

Outcome: Decisions on 36 eco-parks covering some 145 000 hectares (5 per cent), 27 of which have been inaugurated.

Water and land

- Identify valuable water ecosystems and prepare action plans.

Outcome: 80 wetlands restored, and work on a further 20 begun.

- Reduce the volume of significant hauling damage

Outcome: Random checks during felling show that 94 (94) per cent were approved as regards reducing significant hauling damage.

Climate impact and emissions

- Reduce emissions from the burning of fossil fuels by at least 30 per cent by 2015.

Outcome: Carbon dioxide emissions from fossil fuels for all of Sveaskog's operations totalled 145 000 tonnes. Forestry operations contributed 129 000 (112 000) tonnes of this amount, with timber transportation accounting for 62 (63) per cent.

Prioritised activities in 2011

- Measures to reduce carbon dioxide emissions
- Measures to continue limitation of hauling damage
- Broad training in the new Swedish FSC® standard and Sveaskog's code of conduct
- Map out and remedy quality shortcomings
- Audits

Certificates

- ISO 14001
- FSC® forestry certificate for own forest

- FSC® forestry certificate group
- FSC® traceability certificate
- PEFC traceability certificate
- AEOF customs simplification/security and protection

GRI indicators

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

How we govern employment issues

Sveaskog's responsibility

We run a responsible business based on our code of conduct and social targets. As an employer, Sveaskog seeks to offer employees stimulating work in a good working environment.

The CEO has overall responsibility for issues regarding employees, the working environment, diversity and equality. Managers at Sveaskog have a clear responsibility to their subordinates.

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

Governing documents

- Code of conduct
- Personnel policy
- Plan for equality and diversity
- Guidelines for combating offensive discrimination
- Guidelines for salary setting
- Information policy
- Trade union cooperation agreement

Targets and outcomes in 2010

Satisfied employees

- Employee Satisfaction Index

Target level: 70

Outcome: 66 (2009)

- Completed performance appraisals

Target level: 100 per cent

Outcome: 80 per cent

Good leadership

- Leadership Index

Target level: 70

Outcome: 70 (2009)

No accidents at work

- Work-related injuries per 1 000 FTEs

Target level: 0

Outcome: 8.3 (11.5)

More even gender distribution

- Gender distribution/unit*

Goal: more even gender distribution/unit

Result: more even gender distribution in two of four units

- Proportion of female managers

Target level: Increased percentage

Outcome: 25 (21) per cent

*Four units: Permanently employed personnel within forestry including Sveaskog Baltfor SIA, Sveaskog Förvaltnings AB's personnel, Svenska Skogsplantor AB, Sveaskog Naturupplevelser AB.

Prioritised activities in 2011

- Measures according to plan for equality and diversity
- Training in performance appraisals
- Management seminar on conflict handling
- Training of new managers
- Coaching of managers
- Internal development programme for potential managers and specialists
- Plan for contacts with universities
- Training of employees in the code of conduct
- Active recruitment
- Active working environment efforts
- Completed VIS

GRI indicators

- LA1
- LA2
- LA4
- LA5
- LA6
- LA7
- LA10
- LA11
- LA12
- LA13
- LA14
- HR4

Social responsibility – in the community

Sveaskog creates jobs throughout the country

Sveaskog has an important role as an employer and our ambition is to contribute to development in the regions where we operate.

Our forestlands are found throughout Sweden and we operate locally. A prerequisite for obtaining sufficient trust to conduct business and opportunities to develop our operations is to always act as a long-term and trustworthy partner, employer and member of society. Other industries should be able to operate in the forests and we seek to create conditions to facilitate active outdoor pursuits. By pursuing a long-term and profitable business, we create jobs, even in rural areas where the need for jobs is high.

Our code of conduct

The code of conduct, as adopted by Sveaskog's Board, is used to govern and develop operations. It dictates how Sveaskog shall act as a business partner, employer and member of society and is also included when business and collaborative agreements are signed. The code of conduct has been translated into English, Russian, Polish and Latvian. In 2010, we received 3 (3) reports on breaches of

the code. Two cases were external and concerned right of usufruct and sale of property respectively. Investigations are underway in both cases. The third case was internal and concerned victimisation; an investigation is underway. A council comprised of the heads of Legal Affairs, Communications, Personnel and Environment and Sustainable Development handles all reported breaches. The council decides which measures to take in consultation with company management and the concerned managers. In cases where the report is not made anonymously, feedback is provided to the submitting party.

Contractors and suppliers

Collaboration with local contractors and suppliers is important for the development of Sveaskog's business. Our business creates job opportunities for both our teams and other contractors in felling, silviculture and roadwork. In 2010, we hired some 630 contractors for help with planning, felling, roads, silviculture and planting.

To ensure that contractors are professional and competent, we use a checklist when procuring contractual services which places demands on, for example, the contractor's responsibility for the competence development of its employees, work environment measures and machinery, as well as on the conducting of operations in accordance with applicable legislation and agreements.

How we govern impact on the community

Sveaskog's responsibility

We run a responsible business based on our code of conduct and social targets. We would like to enable several enterprises to operate simultaneously in forests by leasing out attractive areas for hunting, fishing and eco-tourism and thereby accommodate tourism companies at the same time as using the social value of forest land to provide new rural job opportunities and make forest landscapes accessible to one and all.

Employees are required to follow the code of conduct, policies and guidelines. Our managers are responsible for ensuring such compliance while group management follows up outcomes contra targets as regards corporate social responsibility.

Governing documents

- Code of conduct
- Information policy
- Guidelines for purchasing
- CSR requirements for contractors and suppliers
- Guidelines for silviculture and considerations when purchasing timber
- Guidelines for the purchase of timber from outside Sweden
- Forest policy
- Guidelines for contact with the reindeer industry
- Instructions for internal and external representation

Targets and outcomes in 2010

Good business relations

- Customer Satisfaction Index

Target level: 70

Outcome: 64 (62)

- Supplier Satisfaction Index

Target level: 70

Outcome: 70 (70)

- Contractor Satisfaction Index

Target level: 70

Outcome: 69 (66)

Confidence in Sveaskog

- Confidence Index

Target level: 67

Outcome: 67

- Stakeholder Dialogues

Target level: 2,800 people/year

Outcome: 3,786 (3,341)

Prioritised activities in 2011

- Close cooperation with contractors
- Follow-up of CSR requirements for contractors and suppliers
- Training of employees in the code of conduct
- Structured stakeholder dialogues

GRI indicators

- SO1
- SO2
- HR2
- HR4
- HR5
- HR6
- HR7
- HR9
- PR3
- PR4
- PR5

Membership

- Skogforsk, Forestry Research Institute of Sweden (since 1992).
- Forest Stewardship Council (since 2002).
- UN Global Compact (since 2005).
- Eustafor, European State Forest Association (since 2006).
- AEBIOM, European Biomass Association (since 2008).
- Svensk Vind (since 2009).
- SLA, Federation of Swedish Forestry and Agricultural Employers (sedan 1992).
- Forest Based Sector Technology Platform (FTP) (since 2006)

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

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

Suppliers' implementation of human rights

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

Corruption risks

We work with internal control, our code of conduct, guidelines and requirements for business partners and suppliers, and the opportunity to report breaches anonymously. Our subsidiary Sveaskog Baltfor SIA's purchase of timber in Russia and the Baltic States entails risks related to corruption. Sveaskog Baltfor SIA has 26 employees and generates two per cent of the Group's turnover. Training in the code of conduct was provided in 2008 and 2009. Random checks were performed at a supplier in 2010. These revealed some small uncertainty factors, and we have since worked to minimise these, by, among other things, introducing a new business method.

Discrimination

Our code of conduct, anti-discrimination policy and equal opportunities policy clarify our position as regards discrimination. We must show mutual respect and discrimination is not tolerated at our workplaces. Employees are required to follow the code of conduct and managers are responsible for ensuring compliance with the code in day-to-day operations. Employees or stakeholders who believe that Sveaskog has breached the code of conduct can submit a report, such as via a web form. One case of bullying was reported in 2010.

Freedom of association and right to collective bargaining

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

Child labour

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

Forced and compulsory labour

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

Rights of indigenous peoples

The Sami have interests in Sveaskog's lands. Parts of the company's lands are reindeer grazing lands. The lichen, which is important for winter grazing, can, among other flora, be affected by forestry. Sveaskog recognises the right of reindeer herders to graze their animals. Laws and regulations govern cooperation with reindeer herders and are applied throughout the entire reindeer herding zone. Sveaskog follows the FSC®'s principles with specific commitments concerning relationships with local communities and regularly consults with the Sami villages affected by forestry operations. As far as possible, we are working to find solutions that satisfy both parties' demands for land use and we cooperate with the National Union of the Swedish Sami People (SSR). In 2010, we introduced new procedures, which have made the work more effective. Incidents are reported either in the environmental and quality management system or as a breach of Sveaskog's code of conduct. During 2010, one incident concerning damage to reindeer grazing produce in connection with land preparation was reported and is being investigated through our environment and quality management system.

Number of consultations with reindeer industry representatives

Year	No.	Time in working days
2010	63*	210
2009	35*	200
2008	35*	200
2007	100	400
2006	100	380

* Recorded consultations undertaken in the field/offices. Previously, non-recorded meetings were also counted.