

Communication on progress

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SVEASKOG

## The year in brief

Net sales increased by 3% to SEK 6.2 billion

Operating profit from continuing operations increased by 28% to SEK 1.2 billion

Dividend SEK 800 million (proposed to the 2015 Annual General Meeting)

Improved customer confidence

Three new ecoparks – goal of 36 ecoparks reached

Major fire in Västmanland – decision on new ecopark

Focus on innovation, value-driven leadership and employeeship

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## CEO's comments

### Stronger customer relationships and improved earnings

*A company like Sveaskog is in centre of society. We influence and are influenced. We have forests in 200 of Sweden's 290 municipalities. We contribute to the development of society by managing our forests sustainably.*



Sveaskog has almost 700 employees and through our contractors we employ more than 1,500 people throughout the country. In the past five years we have delivered dividends totalling SEK 7.6 billion to our owner the Swedish state. We have been able to do this due to good earnings and a strong balance sheet. The Board proposes that we pay a dividend of a further SEK 800 million this year.

We who work at Sveaskog have a major and important assignment, to manage our forests so that both present and future generations can use and benefit from them. We put a lot of effort into developing effective and gentle forestry methods. At the same time, we have set aside 20% of our productive forest land for nature conservation and to help strengthen biodiversity. In 2014 we achieved our goal of having 36 ecoparks throughout Sweden. Our ecoparks today comprise 145,000 hectares. This corresponds to an area almost eight times the size of Stockholm.

If Sveaskog is to continue to contribute to Sweden's development and prosperity, we must conduct a profitable business. This can only be achieved if our customers have confidence in us. And obviously our employees and contractors need to be highly motivated if we are to be able to meet our customers' expectations.

#### **Increased confidence**

I would like to express a big thank-you to all our employees for the strong improvement in our customer relationships in 2014. Almost half of our customers consider that their

relationship with Sveaskog has strengthened. The improvement is due to focused efforts by Sveaskog's employees to develop products and solutions which strengthen the competitiveness of our customers. We can do this by improving everything from preparation of the timber in the forest to transport planning.

The forest is important for the climate. In Sweden annual carbon dioxide emissions total approximately 60 million tonnes. Sveaskog's forests bind approximately two million tonnes of carbon dioxide or more than 3% of Sweden's total emissions. We at Sveaskog emit 153,000 tonnes of carbon dioxide every year. Our goal is to reduce these emissions by at least 30% by 2020. The most important measures to achieve this goal are fuel-efficient driving, reduced transports and use of renewable fuels. We focus our climate work around these areas.

#### **Cooperation for climate benefit**

Renewable fuel is not just a concern for us. It is a concern for the whole of Sweden. So far biofuels cannot compete in price terms with fossil fuels. We are therefore involved in projects to develop technology and processes centred on forest-based fuels. We cooperate with the mining and steel industry about how it can use biomass instead of fossil fuels in its processes. The chemical industry is another sector that would like to use more wood raw material in its processes and here too Sveaskog takes part in development projects for new products such as locally produced plastic.

We are convinced that the forest can be used more than it is today, particularly in

“Renewable fuel is not just a concern for us. It is a concern for the whole of Sweden”

construction. Wood is nature's own brilliant material. It is renewable and compared with construction using steel and concrete the carbon dioxide emissions are significantly lower. We at Sveaskog try to persuade builders and architects to dare to use more wood. Not just as a visible material but also for the frames. The Stockholm suburb of Sundbyberg has attracted worldwide attention with its wooden high-rise buildings. Two eight-storey buildings have been completed and a 65 metre high 22-storey building entirely of wood will also be constructed. We obviously hope that more municipalities and construction companies will have the courage to emulate Sundbyberg's initiative.

#### **Our work gets smarter**

In terms of earnings Sveaskog had a good year in 2014. Our operating profit from continuing operations increased by 28% to SEK 1,254 million. The improvement is mainly due to higher deliveries from our own forests and higher timber prices. Improved efficiency also contributed.

I am particularly pleased that our efficiency improvement efforts continue to be successful. This is a fantastic performance to which all our employees have made contribution. The main reason for the improvement is that we are working smarter. Everyone, from machine operators to silvicultural specialists and salespersons, works every day to improve efficiency and profitability.

The basis for a profitable business over time is that we conduct sustainable operations. Sveaskog is a signatory to the UN Global Compact which means that we want to show our support for internationally recognised business ethics and our long-term involvement in sustainability issues. We report our work according to the Global Reporting Initiative (GRI) and the auditors' review helps us to develop.

A company like Sveaskog is totally dependent on its employees. They must feel commitment and job satisfaction. Our motivation index is on a par with other companies in Sweden but our ambitions are higher than that. When I talk to employees they say that they appreciate being able to be responsible for their own work. Many also see extra value in working with nature as a resource. We will continue to nurture these values and create a company characterised by customer focus, innovation, simplicity and transparency.

#### **More women in forestry**

I and my colleagues in group management have undergone a gender training course and all our managers will complete this course in 2015. We want to see more women in the forest and in forest-related occupations. So we must start by creating conditions and environments which women can also enjoy. We also want more employees with a non-Swedish background. Greater awareness of what we can do in our everyday work will create greater diversity and thus ensure a sustainable business.

We have entered 2015 with clear targets. We will continue to contribute to the development of society by creating values for our customers and our owners. We will create climate benefits with the forest and forest products. We will take care of the forests so that many businesses and people can enjoy them today and tomorrow.

Stockholm, 10 March 2015



Per-Olof Wedin  
President and CEO

## Comments from the Chairman

The major challenge today and in the future is the climate issue. We need to switch from a fossil to a renewable society. Our forests are crucial for this work. Biofuel is already Sweden's biggest energy source. Even so we have only seen the start of development for bio-based products. Fuel, chemicals, plastics and textiles are some of the many products that will be made from renewable wood raw material in a few years.

Sweden has all the keys to a bio-based society. We have an industrial structure and capacity, expertise, capital and, above all, forest, our green oil reserve. The only thing we lack now is a long-term energy agreement and a stable political framework. These are needed to give market players the courage to invest in new technologies, facilities and products.

The fact that Sweden is a rich country with a developed industrial base is largely thanks to our forest assets. The forest has given us prosperity for over 100 years. It has done this because we have managed it. So our success story is not the forest per se – but that it has been planted, cleaned, thinned and harvested to be transformed into houses, bookcases, milk cartons and newspapers. That it has been used.

It is in itself lucky that just the forest is the foundation of Sweden's success story. The forest exists throughout the country and links urban and rural areas. It is a renewable resource – after felling, new trees grow.

Let us take advantage of the opportunities provided by the forest. Invest in industrial innovations based on renewable wood raw material. Use the forest more – at the same time as we protect biodiversity and other values for the future.

Göran Persson  
Chairman of the Board



### To be the leading forest company

*We are Sveaskog and just today you have certainly come into contact with many of our products. When we say “our” we mean everything that is produced because we supply our customers with renewable wood raw material. This means that we help to create jobs at the same time as contributing to a living countryside, prosperity and a better climate. Our vision is to be the leading forest company.*



Sveaskog is owned by the Swedish state. According to the articles of association the object of the company's activity is to administer forest land as well as conduct forest management and forest industrial operations as well as operations compatible therewith. The company shall be an independent player, which means not have major interests as an end user of wood raw material. The company can also conduct closely related operations provided this contributes to increasing the company's return. Sales of land on market terms shall enable reallocation of land holdings and add-on purchases for private forestry, particularly in rural areas. Sales of land shall be carried out until 10% of the land area owned by the company at its formation in 2002 has been divested. Operations shall be conducted on a commercial basis and generate a market return.

#### **Vision**

Sveaskog's vision is to be the leading forest company which means:

- Being the most profitable forest company over the short and long term
- Being customers' preferred and most knowledgeable partner
- Being the preferred choice for employees and contractors
- Leading in innovation and efficiency
- Leader within sustainable forest management

#### **Strategy**

Sveaskog has three overall strategies in order to achieve its vision:

*Increase efficiency in the value chain from forest to customer*

By delivering the right quantity and quality at the right time Sveaskog keeps costs down and creates customer value. Efficient logistics are of major importance for reducing Sveaskog's carbon dioxide emissions. Innovation is important for the development of more efficient processes and new applications for the raw material and

forest land. Efficiency is also affected by Sveaskog having close and stimulating cooperation with suppliers and partners.

*Develop profitable business for timber and biofuel*

Both in day-to-day work and more long-term development projects the focus is on broadening applications for the forest. In this work profitability goes before volume. It is through cooperation with among others customers, partners and research institutes that Sveaskog develops its offering.

*Increase profitability from forest land*

Profitable development and sustainable management of the forest creates values for many people in society. When forest is felled this is based on plans that take into account a long-term sustainable management of the forest.

Biodiversity is an important goal for Sveaskog. 20% of the company's productive forest land has been set aside as nature conservation land in ecoparks and nature conservation forests or for special consideration when felling.

Sveaskog leases land to hunting teams and develops land leases for wind power and ecosystem services.

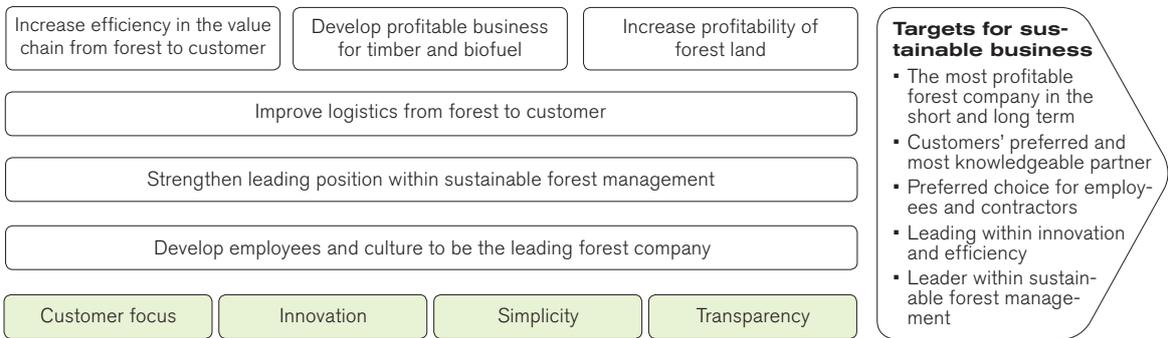
#### **Values**

Sveaskog works to strengthen the company's internal culture based on the values customer focus, innovation, simplicity and transparency. Ensuring a long-term skill supply is important to Sveaskog. This is why the company works to be an attractive employer which includes increasing diversity in the company.

#### **Organisation**

Sveaskog conducts its operations in three geographical market areas, North, Central and South. The market areas also offer land concessions and leases. Svenska Skogsplantor sells seedlings and silvicultural services. Support for operations is provided by corporate staffs.

Sveaskog's strategy



Our forest will share its wealth with many future generations.

## Greater confidence in Sveaskog

*The forest is a fantastic engine for sustainable growth. It creates jobs and important exports. We have every reason to manage the forest well. It will share its wealth with many future generations. This long-term perspective permeates everything we do. It helps to improve competitiveness, strengthen the brand and makes us an attractive business partner and employer.*



Sustainability is a business strategy which generates long-term value by the company taking advantage of opportunities and managing risks with a focus on economic, social and environmental responsibility. Sveaskog has integrated sustainability throughout its operations. All targets are linked to sustainability.

The targets are included in the business plan for 2014–2018. They are reviewed each year when the business plan is revised.

### **The most profitable forest company in the short and long term**

To achieve the goal of being the most profitable forest company, Sveaskog works within three main areas.

The first is to develop Sveaskog's core business and prioritise profitability over volume.

The second is to reduce costs through more efficient working practices and methods. The third area is to increase revenues and profitability from land concession. An administrative review of the Group was performed during the year to improve working efficiency and make responsibilities and processes clearer.

Good ethics are essential for building confidence and a strong brand. Sveaskog therefore measures confidence among various stakeholders. Confidence in Sveaskog has increased during the year. This is the result of improved relationships with customers, suppliers and contractors. Starting in 2014 the survey also includes silvicultural contractors.

### **Customers' preferred and most knowledgeable partner**

Sveaskog's efforts to strengthen customer relationships yielded results in 2014. Almost half of customers feel that their relationship with Sveaskog has strengthened during the year and their attitude to Sveaskog as a partner is more positive than before. Substantial improvements have occurred within all the areas that were examined: delivery quality, skills, customer relationships, professionalism, contacts, information and availability. The biggest improvement was among pulp and biofuel customers where the potential was greatest.

The index which measures satisfaction among timber suppliers has also risen after determined efforts to improve relations with this group.

### **Preferred choice for employees and contractors**

Having previously measured satisfaction, in 2014 Sveaskog measured employee motivation. The average is

on a level with other companies in Sweden. Sveaskog's ambitions are higher than that. Employee motivation will be increased by a continued focus on good development opportunities and clear accountability.

One prerequisite for motivated employees is good leadership. In 2013 and 2014 the company has carried out an extensive training programme for all managers with a focus on individual development and personal leadership. At the same time as evaluations of the programme are very positive, the 2014 employee survey shows that the leadership index has fallen from 70 to 65. The average for Swedish companies is a leadership index of 55.

In 2015 the company will work with continued development of a culture with value-driven leadership and employeeship. This will be achieved among other things through dialogue with all employees as well as seminars and management meetings and in ordinary business monitoring. Managers will continue to build a culture with more coaching and feedback.

### *Contractors and suppliers*

Motivated and skilled contractors are a factor for success when it comes to felling and managing the forest responsibly. Sveaskog has good experience of cooperation with selected contractors. In 2014 the company started work on development of a long-term concept for cooperation with suppliers. This includes contractors within both forestry and logistics. In 2014, Sveaskog extended its Contractor Satisfaction Index to include contractors within silviculture. The company has received good grades from contractors within both felling and silviculture.

### *Proportion of women*

The proportion of women is unchanged compared with 2013. Sveaskog works in various ways to increase the proportion of women and employees with a non-Swedish background. The company looks among other things at various forums where contact can be made with the younger generation and at how recruitment is conducted. In job advertisements at least one woman must be included as a contact and in interviews one man and one woman must take part.

Sveaskog offers young people summer jobs where it ensures an even gender distribution. Group management has attended gender training. The company also offers unaccompanied young refugees summer jobs.

### Leading within innovation and efficiency

Efficiency continues to improve through increased cost effectiveness but also through greater value creation. One significant cost item is felling costs. There too there is an underlying improvement. The costs per felled unit, on the other hand, have not decreased during the year. This is mainly due to increased processing volumes of storm-damaged forest, more expensive fuel due to a switch to more eco-friendly fuel and reduced tax subsidies.

The company is developing targets to measure innovation. One is revenues from new areas. The target is under development.

### Leader within sustainable forest management

As part of Sveaskog's commitment to nature conservation, key habitats for plants and animals are left untouched at felling. The target is to maintain 99% of felling without major negative impact on sensitive biotopes, edge zones, natural value trees, cultural environments and other environmental values. Follow-up of consideration for nature in 2014 shows a less favourable result than in the previous year. The reasons for this and Sveaskog's efforts to improve this result, are reported on page 30.

Sveaskog's operations provide climate benefits through carbon dioxide retention in growing forests and wood products, which can then replace fossil inputs. At the same time, the company's target is to reduce its carbon dioxide emissions by 30% in 2010–2020. The result for 2014 shows a 5% reduction since 2013.

#### The most profitable forest company in the short and long term

Target	Metric	Value 2013	Value 2014	Target 2018
Average yield 4.5% per year	Yield	3,9	↗ 5,0	At least 4.5
Confidence in Sveaskog	Confidence Index	71	↗ 78	80

#### Customers' preferred and most knowledgeable partner

Target	Metric	Value 2013	Value 2014	Target 2018
Satisfied customers	Customer Satisfaction Index, sawmill customers	74	↗ 75	80
	Customer Satisfaction Index, pulpwood customers	45	↗ 66	55
	Customer Satisfaction Index, biofuel customers	61	↗ 68	67
Satisfied suppliers	Supplier Satisfaction Index	67 (2012)	↗ 73	70

#### Preferred choice for employees and contractors

Target	Metric	Value 2013	Value 2014	Target 2018
Good leadership and employeeship	Employee Motivation Index	–	64	75
	Leadership Index	70	↘ 65	72
	Contractor Satisfaction Index, felling	70 (2012)	→ 70	72
	Contractor Satisfaction Index, silviculture	–	73	72
At least 30% women by 2020 and more employees with non-Swedish backgrounds	Gender balance	20	→ 20	26

#### Leading in innovation and efficiency

Target	Metric	Value 2013	Value 2014	Target 2018
Increased efficiency	Average cost of felling, change compared with previous year	–5.8%	↘ 0.8%	2% annual productivity improvement

#### Leader within sustainable forest management

Target	Metric	Value 2013	Value 2014	Target 2018
99% of environmental values maintained in forest management without significant impact	Consideration Index	95	↘ 87*	99
Carbon dioxide emissions reduced by at least 30% 2010–2020	CO <sub>2</sub> emissions tonnes per delivered thousand m <sup>3</sup> sub	14.8	↗ 14.1	12

\* See page 30 for report of outcome and Sveaskog's work to achieve this target.

## Financial results

# Strong performance 2014

*Sveaskog manages and develops a valuable national resource. With our presence in the forest communities we contribute to enterprise, employment and economic development. Sveaskog is involved and provides opportunities to live and work across Sweden. And in the past five years we have distributed SEK 7.6 billion to our owner, the people of Sweden.*



Sveaskog is Sweden's largest forest owner and conducts trade in wood raw material. Over half of this raw material is taken from the company's own forests. The rest is purchases from other Swedish forest owners, exchanges or imports, primarily from the Baltic countries. Sveaskog also leases land and water for wind power, hunting and fishing.

Net sales increased by 3% in 2014 to SEK 6,232 million (6,056). Prices rose by an average of 3% while delivery volumes were largely unchanged. Demand particularly for sawlogs was high during the year and deliveries of pulpwood and chips also increased slightly. Demand for biofuel, on the other hand, fell sharply.

### Increased deliveries from own forests

Operating profit from continuing operations increased by 28% to SEK 1,254 million (978). The improvement is mainly due to a 5% increase in delivery volumes from Sveaskog's own forests with an average increase in prices of 4%. More efficient working methods and an increased focus on profitability in each transaction also contributed to the improvement in earnings.

Capital gains from property sales amounted to SEK 68 million (163).

Sveaskog's operating profit before change in value of forest assets improved by 18% and amounted to SEK 1,386 million (1,168). Change in value of forest assets amounted to SEK 1,032 million (1,046). After change in value of forest assets, operating profit rose 9% and amounted to SEK 2,418 million (2,214).

Net financial items were SEK –261 million (–273). The improvement was mainly due to lower interest. Profit before tax increased by 11% to SEK 2,157 million (1,941). Tax amounted to SEK –466 million (–466). Profit for the year increased by 15% to SEK 1,691 million (1,475).

### Improved cash flow

Cash flow from operating activities amounted to SEK 769 million (636). The increase was mainly due to a higher operating profit from continuing operations.

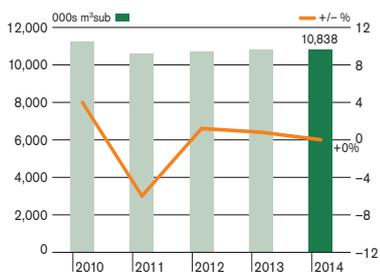
Investments in property, plant and equipment amounted to SEK 132 million (212). This mainly comprised forest land and machines. The lower level is explained by a major land acquisition in 2013. Sales of property, plant and equipment, mainly forest properties, amounted to SEK 194 million (370). No sales of shareholdings took place in 2013 or 2014.

### Strong financial position

Interest-bearing net debt decreased by SEK 326 million during the year and amounted to SEK 8,207 million (8,533). The loan portfolio mainly consists of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. Approximately 4% of the loan portfolio is bank loans. The loan volume under the commercial paper programme was SEK 2,110 million (2,520) which was regularly refinanced. The outstanding volume under the MTN programme was SEK 5,190 million (4,850) at year-end.

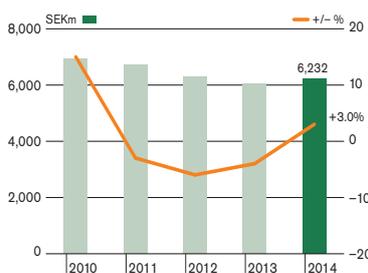
The lowest average fixed interest period during the

Total delivery volume, thousand m<sup>3</sup>sub



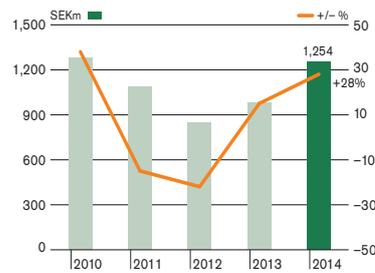
Sveaskog's deliveries solid under bark (sub) were largely unchanged in 2014.

Net sales, SEKm



Net sales increased by 3% in 2014 mainly due to higher prices.

Operating profit from continuing operations, SEKm



Operating profit from continuing operations increased by 28% in 2014. The increase was mainly due to higher deliveries from own forests and higher timber prices.

year was 29 months and 31 at the end of the year. Interest cover amounted to 4.8 (3.5) and the gross loan cost was 2.55% (2.65).

### SEK 7.6 billion dividend over five years

A dividend of SEK 800 million (450) is proposed to the Annual General Meeting. During the years 2009–2013 Sveaskog has distributed a total of SEK 7.6 billion to its owner the Swedish state in the form of cash and forest land.

### Financial targets

Sveaskog's owner, the Swedish state, has set financial targets for the company. The following targets apply to the Group:

- Yield over a business cycle to amount to an average of at least 4.5% per year. In 2014, yield amounted to 5.0% (3.9).
- Net debt/equity ratio 0.3–0.6. The net debt/equity ratio for 2014 was 0.44.
- Payout ratio to amount to 65–90%. Over time the dividend to correspond to 65–90% of profit after tax excluding non-cash adjustments in value of standing forest after tax. A dividend is paid provided the capital structure target after the dividend falls within the target interval and taking into account the Group's strategic and investment requirements.

Sveaskog's yield target will be achieved through profitable business activities with good ethics. The company also has an objective to improve efficiency which will contribute towards achieving the yield target. Efficiency gains will be taken from within planning, felling, logistics and reduced administrative expenses.

### Parent Company

Sveaskog AB (publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Sveaskog AB's operating income for the year amounted to SEK 16 million (46). Loss after net financial items amounted to SEK 3 million (0). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

### Svenska Skogsplantor

Svenska Skogsplantor is a wholly owned subsidiary which produces and sells seedlings. The company also performs silvicultural services. The company's sales totalled SEK 295 million (316) and operating profit was SEK 12 million (24). On 1 April 2015, Svenska Skogsplantor will become a business area and will no longer be a limited company. Operations will continue to be conducted under the Svenska Skogsplantor brand.

### Sveaskog's leases

The company had a total of approximately 7,800 (8,200) leases and other concessions at the end of 2014. Approximately 1,500 (1,600) of these were fishing rights and 3,100 (3,100) hunting rights. Other concessions totalled 3,200 (3,500).

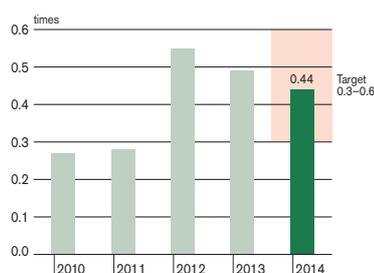
### Number of employees

The number of employees at year-end amounted to 678 (693).

### Share of profits of associates

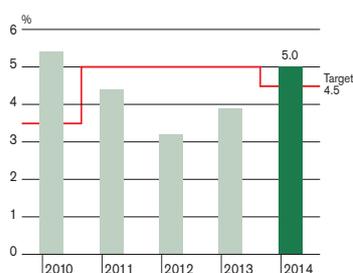
Setra Group AB's net sales increased by 3% to SEK 4,194 million (4,068). Total operating profit increased by 88% to SEK 201 million (107). Sveaskog's share of profits of associates adjusted for intra-group profits amounted to SEK 64 million (27).

Net debt/equity ratio, multiple



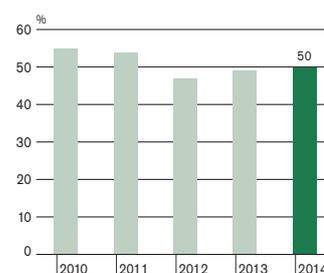
The target was decided by the 2014 Annual General Meeting. The target is a net debt/equity ratio of 0.3–0.6. This metric specifies net interest-bearing liabilities in the company in relation to equity.

Yield, %



The target was decided by the 2014 Annual General Meeting. Yield is to be at least 4.5% over a business cycle. Yield is also called return on operating capital. This metric shows how well the company is using its owner's and lenders' capital.

Equity ratio, %



The equity ratio shows how large a volume of assets is financed with equity.

## Forest assets

### The forest creates value

*Sveaskog is Sweden's largest forest owner. We manage four million hectares of forest. Mainly pine and spruce, but also beech, oak, birch, willow and aspen. The best way we can contribute to social development is to continue to use the forest. This creates jobs and prosperity throughout the country – a strong Sweden.*



Sveaskog's forest assets account for 14% of all productive forest land in Sweden. The company has set aside 20% of productive forest land for nature conservation.

Sveaskog cleans, thins, fells and plants 80% of its productive forest in order to generate returns and increase the value of its forest assets. Cleaning is a prioritised activity for Sveaskog and in general the company tries to carry out cleaning early in newly planted and young forests. Cleaning is still mainly manual work and can only be done in the summer half of the year. Sveaskog therefore engages many people for cleaning in the season.

Every year Sveaskog carries out felling activities (thinning and regeneration felling) on just over 40,000 hectares of its land. All felling is planned based on the requirements of the Swedish FSC® standard which takes into account economic, environmental and social factors.

#### Three new trees for each one felled

For each tree which is regeneration felled, Sveaskog plants on average three new ones. At the same time, the proportion of sowing as a regeneration method continues to rise.

In 2014 the company scarified, sowed, planted, cleaned and fertilised 65,276 hectares (66,300) of its own land.

Through Svenska Skogsplantor, Sveaskog is Sweden's biggest seedling supplier. In 2014 Svenska Skogsplantor sold 107 million seedlings of which 30% were delivered within the Group. The total number of customers is about 4,000. Svenska Skogsplantor operates eight nurseries, a seed processing unit and about 110 seed plantations.

#### Jobs for many contractors

Sveaskog fells both on its own land and on assignment from other forest owners. Felling is carried out by the company's own staff or by contractors. Sveaskog's own felling organisation consists of some 40 machine teams with a total of about 150 operators. Cooperation with contractors is significant. Across the country, just over 150 machine groups with about 600 employees are engaged.

Sveaskog uses GPS to plan all felling. A digital map for a shift is prepared from the plan with critical production and environmental details. The map is transferred to the on-board computers of the harvesters. This allows the operators to optimise production and take into account the nature and cultural values of the specific conditions applicable to each individual forest shift.

Sveaskog is at the forefront in the use of multi-tree handling technology. This means adding equipment to the harvester head which allows it to bundle and work with several trunks at the same time. Multi-tree handling increases efficiency and reduces fuel consumption.

#### Hunting, fishing and outdoor activities

Sveaskog encourages both recreation and business in its forests. The company has granted concessions to 30,000 hunters in 3,300 hunting teams. Sveaskog is Sweden's biggest owner of private roads and provides access to the forest counties and the forests for hunting, fishing, tourism and forest activities. The company is also Sweden's biggest owner of water and makes lakes accessible for fishing.

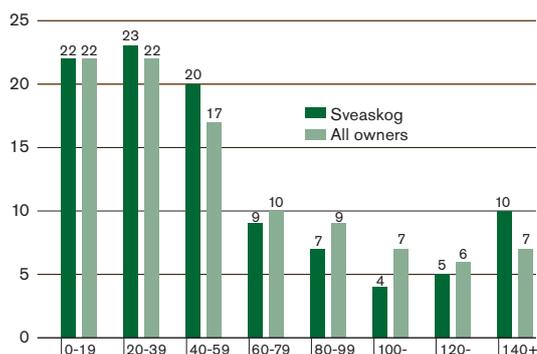
#### Sveaskog's forest capital

	2014	2013
Total land area, million ha	4.04	4.04
- of which productive forest land, million ha	3.12	3.12
- of which managed, million ha	2.65	2.65
- of which nature conservation and nature consideration including montane region	0.7	0.7
Book value, SEKm	32,518	31,531
Taxable value, SEKm	64,196	55,135
Standing volume*, million m <sup>3</sup> fo	245	247
Standing volume*, m <sup>3</sup> fo/ha	92.3	93.0
Net growth*, million m <sup>3</sup> fo	11.3	11.3
Timber extraction from own land, million m <sup>3</sup> sub	6.56	6.02
Timber extraction as proportion of net growth on managed land*, %	72	66

\* Managed land

1 m<sup>3</sup>fo (forest cubic meter) corresponds to approximately 0.82 m<sup>3</sup>sub (cubic meters solid under bark). Sub relates to the real volume of wood without bark.

#### Forest age classification for the whole of Sweden, Sveaskog and all owners, %



### Land sale programme

In accordance with a parliamentary decision, Sveaskog must divest 10% of the land area the company had when it was created in 2002. During 2014 a total of 5,629 hectares (8,853) was sold. A total of 330,149 hectares or 7.57% has been sold in 2,055 deals since the first parliamentary decision was taken in 2002.

Sveaskog is also actively engaged in the purchase, exchange and sale of forest land with the aim of improving land consolidation based on customer structure.

### Nature conservation forests

Sveaskog uses 600,000 hectares of productive forest land for nature conservation. Of this area, half is set aside as nature conservation forests. The remaining 300,000 hectares are landscape set-asides in the form of ecoparks or nature consideration when felling. Sveaskog wants to set aside those forests that have the highest natural values as nature conservation forests. When the company discovers new forest worthy of protection, for example with key biotopes, it exchanges this for land with lower natural values. In this way the quality and nature conservation utilisation of the set-aside forests is increased. Since 2014 changes in the nature conservation forests from the previous year are reported on Sveaskog's website.

### How the value of the forest is calculated

At 31 December 2014 Sveaskog's forest assets had a book value of SEK 32,518 million (31,531), of which SEK 30,344 million (29,375) represents the calculated fair value according to IAS 41. The remaining SEK 2,174 million (2,156) is the acquisition value of the land.

Sveaskog's calculations of the value of the forest are updated every quarter and reported in the financial statements. The calculation is made on those volumes which are expected to be available for felling in the next one hundred years. Annual growth on productive forest land is about 11.3 million m<sup>3</sup>fo (11.3) or 4.3 m<sup>3</sup>fo per hectare (4.3). Overall, the standing volume in the productive forest land amounts to 245 million m<sup>3</sup>fo (247) or 92.3 m<sup>3</sup>fo per hectare (93.0). This means that there is an underlying increase in standing volume each year even if the figures are affected by variations in the combined area of nature conservation and productive forest. This means that the standing volume increases each year, resulting in an increase in the forest capital. Both growth and felled volumes are expected to increase.

The calculated fair value of Sveaskog's forest assets has a significant effect on the reported operating profit but does not affect cash flow. Changes during the year in the value of the standing forest as well as a sensitivity analysis will be found on page 62 in Sveaskog's Annual Report with Sustainability Report 2014 (in Swedish).

In addition to the value of the standing forest, the forest lands have their own value for concessions such as hunting, tourism, wind power and ecosystem services which are not included in the valuation.



Sveaskog has its largest forest assets in northern and central Sweden.

## Wood marching ahead

*The forest we harvest today was planted over one hundred years ago. In order to do good business we must have successful customers. Customers who make demands, with whom we develop. So we listen to the master planers, take advice from purchasing managers, get inspired by architects. Our Swedish forest is an attractive building material. Both in Sweden and abroad. And more and more people are discovering the advantages of wood.*



Demand for sawlogs was good in 2014 with rising prices. Sveaskog increased its deliveries by 7% to 4,620 thousand m<sup>3</sup>sub (4,322). The company complements timber from its own forests with bought-in volumes. Purchasing timber allows Sveaskog to satisfy its customers' requirements for volumes, species, qualities and dimensions in a regular flow throughout the year. Sveaskog delivers sawlogs to some 70 customers in Sweden. Customers are privately owned family companies or global groups based in Sweden.

Sveaskog's customers in their turn supply primarily the construction and furniture industries.

### 70% of sawn timber is exported

The market for sawlogs is dependent on the state of the construction market. In Sweden, building starts increased in 2014 which fuelled demand for sawlogs. Since 70% of Swedish sawn timber is exported, Sveaskog's customers are to a great extent dependent on the international construction market and the exchange rate for the Swedish krona.

The largest export markets for Swedish sawn timber are Europe, the Middle East, North Africa, China and Japan. In Europe construction increased in 2014 from low levels. Demand rose primarily in the UK and Germany. The Middle East and Japan were under pressure from poorer economic development which had a negative effect on demand. On the other hand, North Africa and China developed more strongly. Swedish timber exports also benefited from a slight recovery in 2014 in the construction industry in the US which meant that competitors in North America focused more on the domestic market and less on exports.

### Uncertain development in the short term

In the short term it is uncertain how the business climate will affect demand for Swedish wood. In much of Europe growth is still slow and national economies weak. Many growth forecasts for Europe have therefore been lowered while Asia and Africa have more rapid growth.

Sveaskog is convinced that demand for sawlogs will increase in the longer term since wood is a sustainable and recyclable material which can be used in many applications.

Today about 90% of Swedish single-family dwellings are built of wood. There are also several examples in Sweden of the use of wood for multi-storey buildings. Wood is also used for load-bearing structures in sports halls and other large buildings. Wooden bridges are built today for pedestrian walkways and cycle paths as well as for roads.

### Wooden buildings net sequesterer of carbon dioxide

A significant competitive advantage of wood is that it is a fully renewable raw material as opposed to concrete and aluminium. A four-storey building with a concrete frame generates a net emission of 96 tonnes of carbon dioxide while a wooden-framed building sequesters 150 tonnes net. The wooden building's net uptake is thanks to the binding of carbon dioxide in the forest, which continues to grow after the building is finished.

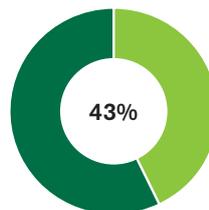
To maintain its competitive edge, Sveaskog must be a reliable supplier, listen to customers and continually improve. It is therefore vital for Sveaskog to understand the entire value chain – from seedling to the architect's drawing and conditions on building sites.

Delivery volumes sawlogs, 000s m<sup>3</sup>sub

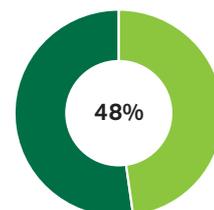


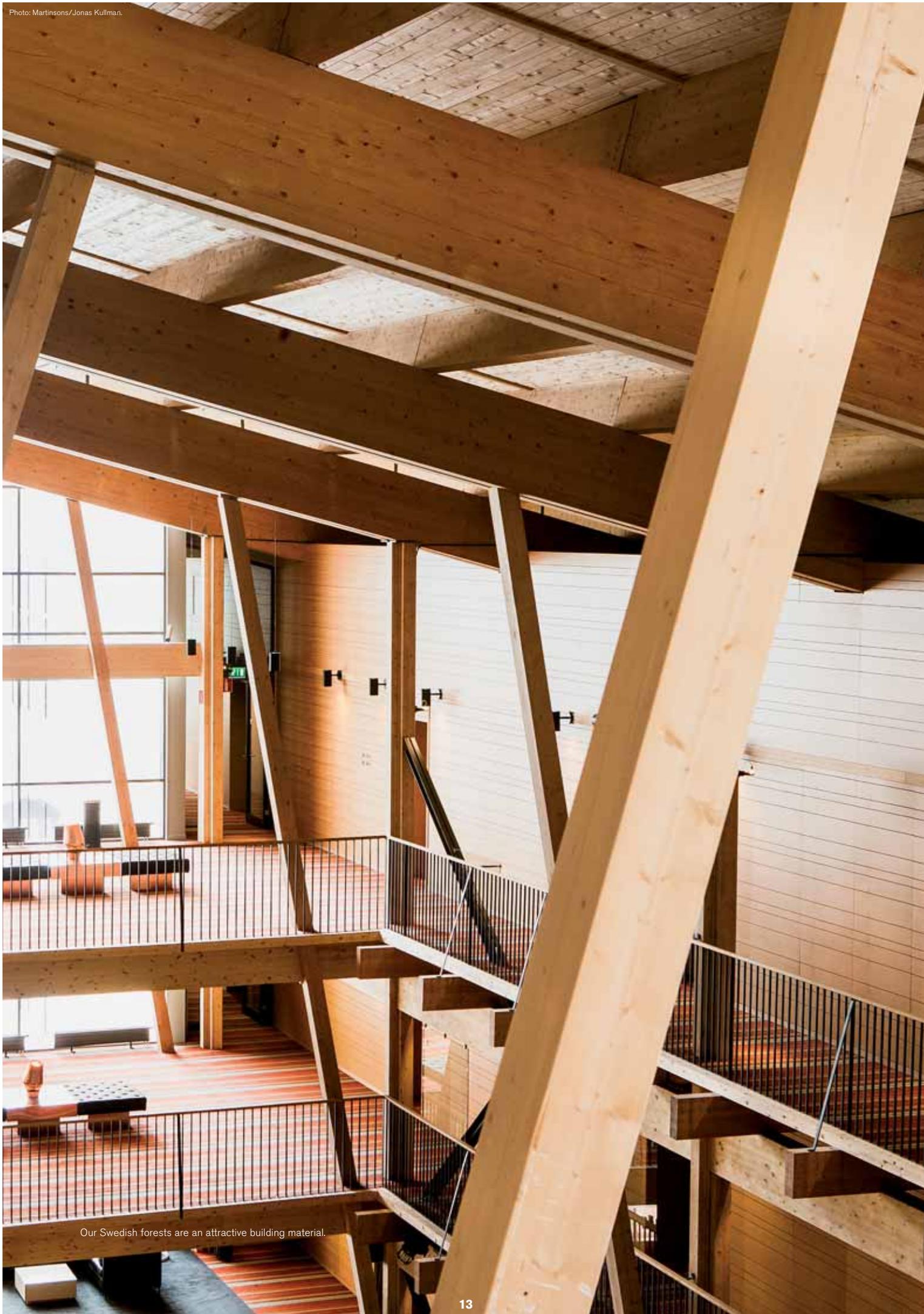
In 2014, Sveaskog increased its deliveries of sawlogs by 6.9%.

Share of delivery volumes



Share of sales





Our Swedish forests are an attractive building material.

## Raw materials with unique qualities

*Every day, everywhere, we use the forest. It is with us all the time. The forest is in the baby's nappies, the kitchen paper you mopped up the coffee with, the carton you poured milk from. When we say everywhere, we mean everywhere. Our customers' products are found everywhere and our customers' customers too. Our customers' customers are the entire population of Sweden.*



Sveaskog increased its deliveries of pulpwood in 2014 by 2% to 5,219 thousand m<sup>3</sup>sub (5,126). Sveaskog delivers a wide range of pulpwood to some 30 customers in Sweden and northern Europe. The company supplies pulpwood both from its own forests and from purchases. Sveaskog also buys cellulose chips from sawmill customers and delivers these to the pulp and paper industry.

Pulpwood customers manufacture pulp and paper for packaging, graphic papers and newsprint. The pulp is used in hygiene products such as nappies, kitchen paper, toilet paper and feminine care products. 80% of Swedish pulp is exported, mainly to Europe.

### Pulpwood prices unchanged

Capacity utilisation was high in the pulp and paper mills during 2014, but there was some surplus of pulpwood on the market. This meant that prices were unchanged in 2014. The price of pulpwood from pine and spruce is lower than the price from birch. There is a shortage of domestic birch for the Swedish pulp and paper industry and birch is imported from the Baltic countries and elsewhere.

The price of pulpwood is lower than for sawlogs. So it is tree trunks or parts of trunks that are not suitable for sawlogs which become pulpwood. They are usually trunks that are too thin or have quality defects. However, pulpwood must not be damaged by rot since this affects the quality of the paper pulp.

It is mainly when thinning the forest that Sveaskog

takes out the largest volume of pulpwood. Pulpwood also comes from final felling since not all parts of the trunks can be used for sawlogs.

### Increased demand for packaging

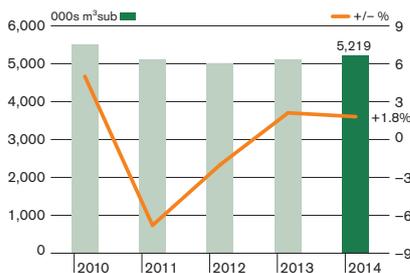
The demand for graphic papers and newsprint has fallen for several years and will continue to fall. On the other hand demand for different types of packaging papers is increasing due to global population growth and increased trade. Pulpwood from Swedish forests has qualities that make it especially good for packaging with high demands such as liquid cartons for milk and juices.

Many mills that produced newsprint have been forced to close or switch production to packaging or hygiene paper. The Swedish forest industry was negatively affected by the strong Swedish krona at the start of the year. However, the krona weakened significantly during the second half of the year.

### Long experience

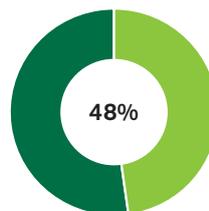
It is a competitive advantage for Sveaskog to have a wide range of fresh pulpwood and cellulose chips. The company's strength also lies in its long experience of working with the pulp and paper industry. It is important for Sveaskog to have an in-depth understanding of that industry's processes and the international end market for its products. For Sveaskog to remain competitive, advanced logistics are needed to ensure that customers get deliveries on time and of the right quality.

Delivery volumes pulpwood and chips, 000s m<sup>3</sup>sub

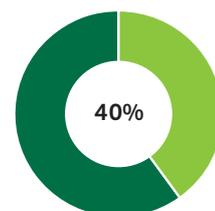


In 2014, Sveaskog increased its deliveries of pulpwood and chips by 1.8%.

Share of delivery volumes



Share of sales





Every day, everywhere, we use the forest.

## Biofuel heats Sweden

*The forest allows us to create a society that is no longer dependent on fossil products. When we replace fossil resources with renewable wood raw material, emissions of carbon dioxide are reduced. Sveaskog is one of Sweden's biggest producers of vehicle biofuels. And with biofuel from our forests we supply almost one percent of the energy used in Sweden.*



Demand for forest biofuel was weak in 2014. Sveaskog's deliveries of biofuel decreased by 26% to 999 thousand m<sup>3</sup>sub (1,359).

The biofuel that Sveaskog delivers is mainly branches and tops (felling residue), thin trees and energy wood. The fuel comes from cleaning, thinning and regeneration felling. Sveaskog delivers to some 70 customers, primarily heating plants, CHP plants and pulp and paper mills. The market is local due to transport costs and Sveaskog supplies mainly customers in Sweden.

### Tough competition from other fuels

There are several reasons for the reduced demand for biofuel. One is that the climate was warmer during the year, another that industry is making its processes more efficient and thereby reducing its energy requirements. A third reason is considerable competition from other fuels.

Today power stations and heating plants can be fuelled with in principle anything that will burn. As well as forest biofuel and chips from the sawmills, they can use oil, coal, peat, garbage and waste wood from, for example, demolished buildings and discarded furniture. Low oil and energy prices increase the competitiveness of fossil fuels and electricity. During the year Sveaskog has noted increased competition from above all imported waste-based fuels.

To be competitive in the biofuel market, Sveaskog is focusing on developing production methods and product

range. Through training and improvement initiatives throughout the chain from forest to customer, Sveaskog has improved the moisture content and quality of biofuel at the same time as streamlining operations.

### Renewable energy

Another example of how Sveaskog is developing its biofuel offering is SunPine in Piteå.

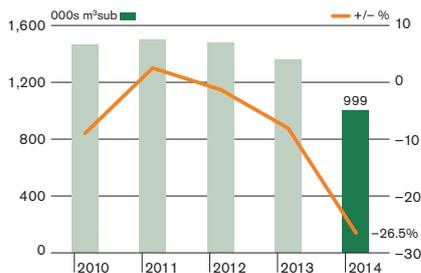
Sveaskog owns 25.1% and the other owners are Södra skogsägarna, Preem, Kiram and Lawter. SunPine extracts raw tall diesel and bio oil from tall oil which is a residual product from pulp mills. Preem refines the raw tall diesel to top quality diesel fuel. When this fuel product was launched in 2011 it was a world first for second generation forest biofuel on an industrial scale.

Based on the tall diesel that SunPine produces, carbon dioxide emissions are reduced by approximately 376,800 tonnes per year. This is equivalent to the emissions from over 174,000 cars.

### Prioritised area

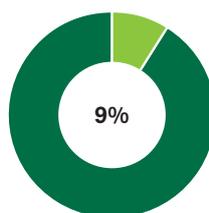
Sveaskog believes that the forest is a vital raw material to provide Sweden with energy and biofuel. Work on developing new technologies and products is therefore prioritised and takes place in close cooperation with various stakeholders such as forest industry customers, universities and other research institutes.

Delivery volumes biofuel, 000s m<sup>3</sup>sub

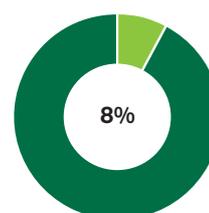


In 2014, Sveaskog reduced its deliveries of biofuel by 26.5%.

Share of delivery volumes



Share of sales





Biofuel is Sweden's largest source of energy.

# Climate-smart innovations

*Working the forest has built our country from the dawn of time. When we must create a sustainable society, the forest is the key. In the future we will build more in wood and, using the forest, develop green fuels, chemicals, plastics and clothing. By using the forest we can slow climate change.*



Sveaskog's initiatives in business development and innovation are intended to increase both the return from the forest and its value. Development work must also contribute to strengthening competitiveness and value added in the forest industry and create value for society. Climate benefit is a major driver.

In 2014 Sveaskog brought together responsibility for all development projects in a development committee. Projects are run in or close to the market organisation to guarantee that the results are put into practice. In 2015 the focus will be on strengthening the internal innovation process so that the company can better stimulate new ideas and push through innovations.

Business development work takes place in the market areas and in close cooperation with customers. Sveaskog cooperates in innovation projects with other companies, universities and research institutes.

Sveaskog's involvement in business development covers a wide spectrum. It might be being a business partner and ensuring the requirement for timber, participating with skills or getting involved in the setting up of new operations or facilities.

Top priority within Sveaskog is given to projects intended to develop new applications for wood raw materials and forest land. Sveaskog runs projects in the following areas:

### 1. Wood

The aim is to increase the use of timber at sawmills and to contribute to developing the market for the sawmills' residual products, for example through production of biofuel. Sveaskog also participates in activities to increase awareness of constructing buildings and bridges in wood.

### 2. Vehicle fuel

Biofuel for vehicles still cannot compete on price with fossil fuels. Sveaskog is therefore involved in projects to develop technologies and processes related to forest-based vehicle fuel.

### 3. Mining and steel

Sveaskog participates in several projects in the mining and steel industry aimed at using biomass in its processes. The mining and steel industry in Sweden is a large consumer of fossil fuels. Replacing fossil fuels in the

mining and steel industry will contribute to the goal of a carbon-neutral Sweden by 2050.

### 4. Chemicals

The chemical industry is interested in replacing fossil raw materials with bio-based raw materials in its processes. In the short term there is little incentive to change raw materials due to the tax situation. Fossil raw materials are not subject to such high tax when they are used in the production of chemicals compared with vehicle fuel.

### 5. Forest land and ecosystem services

There is an international market for ecosystem services in the areas climate, biodiversity and water. These services include managing forests and land to bind more carbon dioxide or restore natural values to compensate for emissions and exploitation following large scale land development such as new mines and infrastructure. This market is currently undeveloped in Sweden, but interest is growing.

Sveaskog has land and experience that enable it to offer compensation measures in both climate and biodiversity. The company is now commercialising a business model and products in these areas.

### 6. Pulp and paper

Within the pulp and paper sector Sveaskog is focusing on developing the efficiency and quality of products and deliveries to existing customers. The company is working, among other things, with logistics to improve the pulp and paper industry's competitiveness.

Sveaskog refrains from involvement in areas which are assessed to have limited significance for achieving the company's goals or significance and relevance for its owner. Examples are areas that are expected to create little value, in which other players operate irrespective of Sveaskog's involvement or which are a long way down the value chain or far from commercialisation.

Innovation projects often take time. Usually at least five years from idea to commercial product. It is therefore important for Sveaskog to assess the risks before deciding on involvement. At the same time it is important to remember that not all efforts will achieve the desired result in the time available, something which is unavoidable in innovation projects.

## Risk and sensitivity analysis

### Major spread of risks

*We have been taking care of the Swedish forests for more than 160 years. Back then, when Sveaskog started its operations, Sweden was a poor country. Now we are a rich country. Sveaskog has contributed to this wealth. Over the years we have learned a lot about the forests and business life. One important aspect for success in business is to understand and be able to manage the risks that exist in operations.*



Since the forest is always growing and is regularly felled, Sveaskog has stable cash flows. This means that Sveaskog's economic risks are limited. There are, however, other risks that are systematically inventoried by Sveaskog.

Sveaskog is exposed to financial, legal, market-related, operational, public opinion and social risks. The forests are also exposed to biological risks as well as weather and climate risks.

The extensive storm fellings in recent years have highlighted the weather and climate risks. At the same time, Sveaskog's forests are large and widespread which evens out weather and biological risks. The forests are also insured against major extra costs via direct insurance and in the reinsurance markets.

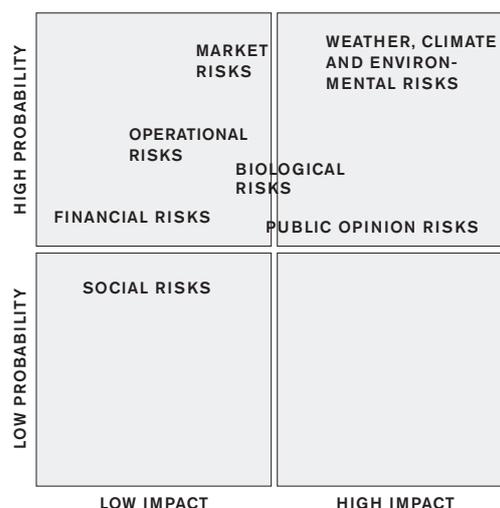
Sveaskog works to develop new markets and businesses such as biofuel and ecosystem services. The company also increases revenues from the forest by granting leases for hunting, fishing, eco-tourism and wind power. These activities provide a broader income base but can also involve risks.

#### Responsibility

Sveaskog's Board is responsible for the company managing risks in the right way and ensuring compliance with adopted principles for financial reporting and internal control. The CEO has overall responsibility. Risk assessments are made on the basis of process descriptions. The Accounts and Treasury staffs are assigned by the CEO to be responsible for an inventory of risks and for conducting the risk management process. Operational responsibility rests with each market area, but is followed up centrally.

#### Risk management process at Sveaskog

Risk management is an integrated part of the annual operational plan. All significant risks are identified, reported and compiled in environmental and quality management systems.

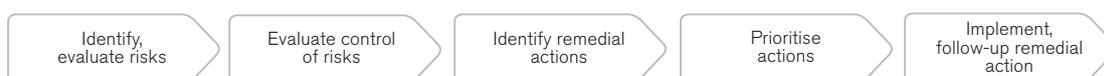


Consequences are linked to each risk and these are described and evaluated.

The identified risks are reviewed on the basis of the controls in place. These controls are evaluated on the basis of quality and risk coverage, level of formality, division of responsibility and general formulation. Subsequently, remedial actions are identified for assessed risks.

Each remedial action is evaluated on the basis of its effect and how time- and cost-demanding the action is. Remedial actions are prioritised on the basis of what generates the greatest benefit per activity. These are carried out according to priority and available resources. Once an action has been taken, the result is measured in order to assess whether the action was sufficient to manage the risk concerned and the benefits of the remedial action.

How Sveaskog manages its key risks is shown on the next two pages.



## Biological risks

Spruce bark beetle

### Risk

Insect pest that has grown in number in the north of Sweden and the control area has been extended. In the south, attacks have subsided leading to a reduced control area.



### Management

Fast processing of storm-felled timber and recently attacked standing trees.

Pine weevil

### Risk

Insect pest which gnaws the bark off conifer seedlings which leads to deteriorated regeneration.



### Management

Use of mechanical seedling protection, Conniflex and development of Multipro.

Root rot

### Risk

Value of standing forests decreases, trees die.



### Management

Preventing attacks by treating stumps during felling with spores.

Fungus attacks

### Risk

Fungus on young pine stands causes trees to die.



### Management

Inventory of extent of damage. Felling damaged trees. Trees with resin top disease not left as seed or nature conservation trees.

New pests established

### Risk

If, for example, the nun moth, the mountain pine beetle or other pests become established in Sweden, large-scale destruction could result.



### Management

Monitoring.

Game grazing damage

### Risk

Game which graze on trees and seedlings reduce forest growth.



### Management

Hunting, measures to increase access to feed, increased knowledge of game populations.

## Weather, climate and environmental risks

Climate change

### Risk

Changed climate can increase the risk of storms, cause changes in precipitation, worsen forcing conditions and change vegetation boundaries.



### Management

Tract adaptation, adapted thinning and clearing, developed forcing in poor conditions and work with processed seed and seedling material. Insurance.

Storm felling

### Risk

Direct economic loss through lower operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage from bark beetle.



### Management

Silvicultural measures that reduce risks: thinning, planting, increased proportion of deciduous trees, final felling at economic maturity. Good crisis organisation and logistics. Ability to move felling resources to storm-felled areas. Insurance against damage.

Contaminated soil on Sveaskog's land

### Risk

Responsibility for contaminated soil and need of decontamination with potentially major costs.



### Management

Inventory, strategy for prioritising areas, liability investigations, working with surveys and decontamination.

## Social risks

Timber imports from undesirable origins

### Risk

Purchases from, for example, Russia and the Baltic countries can present risks linked to illegal felling, corruption and labour law.



### Management

Sveaskog's code of conduct as well as certification and clear guidelines for tracing and documentation of purchased raw material, which govern the company's actions and follow-up.

Contractors

### Risk

Contractors which fail to meet commitments can constitute a risk linked to working environment, health, safety and labour law.



### Management

Code of conduct, guidelines for procurement of contractors as well as follow-up and control of compliance reduce risks.

Corruption

### Risk

Unclear guidelines and routines lead to a risk of bribes, bribery and corruption.



### Management

Code of conduct, clear guidelines, internal control, possibility to report violations anonymously.

Market risks		
Sawmill industry	<p><b>Risk</b> At times poor profitability leads to closure of sawmills and credit losses for Sveaskog. Restructuring may lead to fewer customers in local areas for Sveaskog's forest holdings.</p>	<p><b>Management</b> Active choice of customers and credit insurance. Priority given to cooperation with customers with long-term survival and profitability potential. Prioritise product development and innovation.</p>
Pulp and paper industry	<p><b>Risk</b> A few, dominant companies means a lack of competition and few alternative business and marketing opportunities.</p>	<p><b>Management</b> Expand market and customer capital. More efficient logistics and increased exports. New product range such as biofuel increases market potential. Prioritise product development and innovation.</p>
Energy sector	<p><b>Risk</b> Increased competition from substitutes and low energy prices lead to limited market potential. Elimination of companies and customers within Sveaskog's traditional markets.</p>	<p><b>Management</b> Be an efficient supplier of advanced, customer-oriented business concepts that provide added value and increased profitability for all parties. Prioritise product development and innovation.</p>
Operational and legal risks		
Legal risks	<p><b>Risk</b> Activities that contravene law and good practice.</p>	<p><b>Management</b> Clear rules, controls, follow-up and audits.</p>
Inadequate routines and structure	<p><b>Risk</b> Inadequate systems support, routines and organisation lead to financial loss, loss of profit, loss of market confidence and difficulties in skills supply.</p>	<p><b>Management</b> Documented routines and work processes in all parts of the business. Ensure high quality of systems support since information systems comprise a key part of operations. Training courses which increase knowledge of Sveaskog's working methods.</p>
Loss of FSC® certification	<p><b>Risk</b> Lack of quality in silvicultural activities and consideration for nature as well as deficiencies in work and follow-up of social responsibility can result in Sveaskog losing its FSC® certificate, which would have a significant impact on the timber business.</p>	<p><b>Management</b> Documented routines and work processes in all parts of the business. Internal and external audits as well as training for continual improvements.</p>
Financial risks		
Financing risk	<p><b>Risk</b> Assets are partly financed with external loans. This constitutes a risk if a large borrowing requirement arises in a tight credit market.</p>	<p><b>Management</b> A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing.</p>
Interest rate risk	<p><b>Risk</b> The risk that Sveaskog is exposed to a disadvantageous interest rate situation with a large loan portfolio.</p>	<p><b>Management</b> Sveaskog's policy is an average fixed interest term on the loan portfolio of 12–48 months.</p>
Credit risk	<p><b>Risk</b> The risk that a counterparty is unable to fulfil obligations.</p>	<p><b>Management</b> The finance policy regulates maximum credit exposure in the investment portfolio. For commercial credit exposure some major customers are exempted, otherwise credit insurance is taken out for other customers.</p>
Public opinion risks		
Opinions about the forest	<p><b>Risk</b> Opinions about the use of the forest which restrict forestry can affect profitability and the value of forest land.</p>	<p><b>Management</b> Active in the forest debate.</p>
Reduced confidence	<p><b>Risk</b> The brand and confidence in the company can be affected and thus customer relations and cooperation.</p>	<p><b>Management</b> Code of conduct, internal routines, active information work and ongoing dialogue with stakeholders.</p>



## Sveaskog's key sustainability issues

Sveaskog analyses the entire value chain in order to identify and work with the most relevant environmental, social and economic issues. This provides us with an understanding of how we affect others. In dialogue with other stakeholders we can minimise our environmental impact and work in a sustainable manner. Here we describe the key areas within sustainability where we consider that we have the greatest impact in the value chain.

Sveaskog reports on sustainability according to the Global Reporting Initiative (GRI) guidelines. Our entire GRI index with explanations of indicators is available at [www.sveaskog.se](http://www.sveaskog.se).

### Business ethics

The code of conduct provides the basis for how employees and companies should behave in relation to each other, to customers, contractors and other stakeholders. The code is based on Sveaskog's values: Customer focus, Innovation, Simplicity and Transparency. Sveaskog is an important player in the local community and cooperation with local contractors and suppliers is essential for the development of our operations. Sveaskog regularly monitors how contractors and suppliers are complying with the code of conduct through self-assessments and internal audits. Read more on page 28.

Identified GRI aspects: Supplier Environmental Assessments, Supplier Assessments for Labour Practices, Supplier Human Rights Assessments, Supplier Assessments for Impacts on Society.

Impact mainly occurs outside Sveaskog.  
GRI indicators: EN32, LA14, HR10, SO9.

### Satisfied customers

Satisfied customers are the basis for value-creating sustainable business. During 2014, Sveaskog focused on developing its customer relationships. Sveaskog works both with sawmills and pulp and paper mills in order to develop products together and optimise deliveries. These efforts resulted in a strong improvement in customer relationships. Read more on pages 6–7.

Identified GRI aspect: Labelling of products and services.

Impact mainly occurs within Sveaskog.  
GRI indicator: PR5.



### Biodiversity

All activities within forestry and transports can affect biodiversity. Sveaskog therefore works with nature conservation activities from landscapes to individual forests as well as trees and tree groups which are to be felled. Habitat management is a collective term for a large number of different management methods used by Sveaskog. All methods are intended to maintain or develop biodiversity in the forest. Sveaskog also works to rectify historical contamination. Read more on pages 29–30.

Identified GRI aspect: Biodiversity.

Impact occurs both within and outside Sveaskog.  
GRI indicators: EN12–13.



### Climate effects

The forest and how we use wood play a key role in climate work. Through photosynthesis the growing forest binds carbon dioxide. When the forest binds carbon dioxide it acts as a carbon sink. Wood is a renewable raw material unlike finite fossil resources. Due to the way Sveaskog manages the forest it binds carbon dioxide at the same time as more renewable wood raw material is produced. Sveaskog also tries to adapt forest management to unwelcome future climate effects such as storms and a warmer climate. Read more on page 31.

Identified GRI aspects: Energy, Emissions, Economic performance.

Impact mainly occurs outside Sveaskog.  
GRI indicators: EN3–4, EN15–17, EC2.

### Economic performance

Sveaskog delivers significant values to society. Sveaskog has approximately 700 employees and about 600 contractors. Most of these work in rural areas or small communities. The company is Sweden's biggest owner of forest roads. Over the last five years Sveaskog has paid a dividend of SEK 7.6 billion to its owner, the Swedish state. Read more on page 42.

Identified GRI aspect: Economic performance.

Impact mainly occurs outside Sveaskog.  
GRI indicator: EC1.

### Equal opportunity, diversity and skills supply

Mixed groups perform better and Sveaskog therefore wants to increase the number of women in the company. Greater diversity is also important for Sveaskog to be able to ensure its skills requirement is met and continue to develop its operations in the longer term. Sveaskog operates in places where depopulation is a problem and wants to help keep rural areas alive by offering employment opportunities. Read more on page 28.

Identified GRI aspects: Employment, Occupational health and safety, Training and education, Diversity and equal opportunity.

Impact primarily occurs within Sveaskog.  
GRI indicators: LA1, LA6, LA9, LA11–13, HR3.

Stakeholder scenario and materiality assessment

Many people are affected by what we do

*Sveaskog is present throughout Sweden. We create jobs. We make rural areas come alive. We give many people powerful nature-based experiences. And the wood raw material is found in many things around us. This means that many people are affected by what we do and how we do it.*



Sveaskog's operations concern and affect many different stakeholders. The numerous applications for forest, land and water lead to a considerable need for dialogue with many people and organisations. Dialogues are needed to understand what different stakeholders expect from Sveaskog and so that the company can set priorities in its operations. Sveaskog has identified ten stakeholder groups which either affect or are affected by the company's operations.

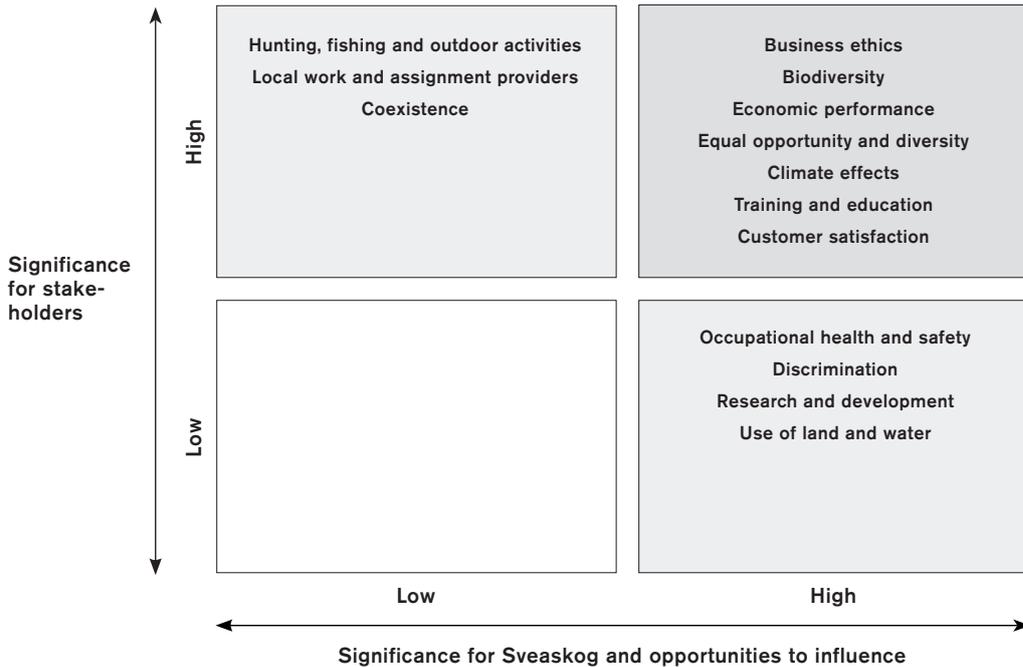
By listening to these stakeholders, Sveaskog can identify challenges and opportunities linked to its operations. Stakeholder dialogues are ongoing in both daily operations and at a company-wide level. The dialogues provide valuable information and a basis for decision.

In surveys conducted among customers, contractors, suppliers and employees the company regularly asks which issues they feel are most important for Sveaskog to work with.

When Sveaskog identifies the most important sustainability issues, the company looks at stakeholder dialogues and the directive from its owner as well as making its own assessment of the company's impact on the economy, environment and society. This materiality assessment, which is presented below, also provides a basis for areas that are included in the sustainability report. The materiality assessment is reviewed every year on the basis of what is happening in the business environment, dialogues during the year and an assessment of the company's development.

Materiality assessment

The materiality assessment is an aggregate of the issues that Sveaskog regards as strategically important and the issues that stakeholders regard as most important.



The order of the aspects within each of the four fields has no significance. In conjunction with objectives for sustainable business the materiality assessment is reviewed. Customer satisfaction was highlighted as a strategic issue in 2014.

## Stakeholder scenario

Sveaskog has structured and documented stakeholder dialogues. This overview shows the key issues for the ten principal stakeholders.

	Customers	Owner	Lending institutions and credit providers	Employees	Contractors
<b>Issues 2014</b>	Product quality, efficient logistics, renewable vehicle fuels, technical development, FSC® and traceability, Sveaskog's role in the market, reliability, long-term relationships	Market return, profitability and sustainable business	Financial targets, stable financial flows, sustainable business, new business opportunities	Skills development and supply, equal opportunity, occupational health and safety, organisation	Developed and long-term cooperation, renewable energy, sustainable forest management, contract/remuneration issues, training and working environment, attractiveness of forest industry
<b>What is Sveaskog doing?</b>	FSC® certification, measures delivery precision, develops new fuels, timber traceability, market prices, code of conduct	Financial targets and targets for sustainable business, corporate governance report, sustainability report	Reports financial targets, financial policy, prioritises long-term business relationships and customers with profitability potential	Internal training programmes, supports job rotation, active recruitment, work environment efforts and develops the organisation	Long-term cooperation, partner contractors, cooperation projects, information and evaluations
<b>Dialogue opportunities</b>	Survey Customer Satisfaction Index, business development discussions	General meetings, Board meetings, dialogue with the Chairman of the Board	Company presentations, business discussions	Performance reviews and employee days, employee survey, leader days, leader programme, trade union cooperation, valuation dialogue with "the growth game", workplace meetings	Contractor Satisfaction Index, business development discussions

	Timber suppliers	Tourism companies, hunters, anglers, etc.	Reindeer herders	Authorities	Nature conservation organisations
<b>Issues 2014</b>	Ability to pay, market prices, renewable energy, quality of felling assignments, skills supply, working environment, information about services, technical development	Grants land for leases, lease prices, forest and land for outdoor activities as well as grazing damage	Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – coexistence	Swedish Forestry Act, national environmental objectives	Biodiversity, national conservation
<b>What is Sveaskog doing?</b>	Good liquidity, market prices, FSC® planning for felling assignments, develops new fuels, information activities	Leases, investments in recreation areas and ecoparks, roads and signs, information on the website	Formalised consultations, better maps, projects to develop land usage	Annual audits, business management system, follow-up of goals and key indicators	Targets for sustainable business, environmental objectives and targets, FSC® membership, nature conservation strategy
<b>Dialogue opportunities</b>	Supplier Satisfaction Index, FSC® cooperation, forest days	Ecopark inaugurations, hunt leader meetings, consultations, business discussions, SVP Forestry Herman Sundqvist's blog*	Consultations about silvicultural measures, cooperation within Swedish FSC®	Consultations regarding ecoparks and inaugurations, annual general meetings, SVP Forestry Herman Sundqvist's blog*	Excursions, cooperation, SVP Forestry Herman Sundqvist's blog*

\* Sveaskog's SVP Forestry Herman Sundqvist's blog started in spring 2012. It is a discussion forum and provides a natural contact between employees, industry professionals and the forest-interested public.

## Sustainability Sveaskog's objective

Sveaskog's objective is to conduct sustainable business. Sustainability is therefore an integrated part of control and monitoring of operations.

Sveaskog has an integrated sustainability perspective throughout its operations. All operational targets are linked to sustainability and are reported on pages 6–7 and 30.

This work is supported by a number of policies and guidelines all of which are available to all employees on the company's intranet and to other stakeholders on the website [www.sveaskog.se](http://www.sveaskog.se). In group management the Deputy CEO has overall responsibility for sustainability issues and direct responsibility rests with managers in the line organisation. Coordination and follow-up of work with the sustainability objectives and targets adopted by the Board and CEO take place in a sustainability council chaired by the Deputy CEO. Sveaskog's Board submits the sustainability report and the audit committee prepares work with the report.

Sveaskog follows up its sustainability initiatives regularly both internally and externally. Internal quarterly business follow-ups take place in the three market areas as well as the subsidiary Svenska Skogsplantor. There are regular internal audits and self-assessments in the field. There is also an annual follow-up of framework agreements with external suppliers.

Cooperation with local contractors and suppliers is important for Sveaskog's development. The code of conduct, general sustainability requirements linked to the Global Compact and detailed requirements for contractors control assessments of contractors. Follow-up takes the form of self-assessments and internal audits. Non-conformances are reported in the business management system.

The external review consists of auditors reviewing the Sustainability Report. There is also an external audit according to ISO 14001 of the integrated business management system. There is an external audit of the FSC® certificate and annual surveys for customers, employees, contractors, suppliers and the brand.

### Sveaskog's certificates:

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

All Sveaskog's forests are FSC®-certified, which provides a guarantee that the forest is managed responsibly. The FSC® standard is also applied when felling is commissioned by a third party. For imports the requirement is that the timber must be certified. Traceability certification allows the origins of the products to be traced. This helps consumers and companies to make responsible purchases.

FSC® is an independent international organisation for certification of responsible forestry. The aim is socially beneficial, environmentally appropriate and economically viable responsible forest management. FSC®'s logotype on products represents independent certification of forestry and product manufacturing according to FSC®'s rules.



### High ethical values build confidence

We are dependent on our business environment having confidence in us. It is only with their continued confidence that we can continue to be a successful company. Our code of conduct clarifies how we should act.

It is of major importance for Sveaskog to work with dedicated and skilled contractors, among other things when it comes to managing and felling the forest. In recent years Sveaskog has systematically developed its cooperation with selected contractors among other things with the partner-contractor concept. In its procurement processes, Sveaskog always requires contractors and suppliers to comply with the code of conduct, general sustainability requirements and other requirements. Follow-up takes place regularly and if non-conformance is detected, a dialogue is initiated. If these inadequacies are not rectified, the cooperation may be discontinued.

The majority of Sveaskog's contractors are Swedish companies with local operations. Most of them work within silviculture, felling and transport. Sveaskog cooperates with approximately 600 contractors. Sveaskog procures services within these areas for approximately SEK 2 billion per year. Cooperation with seven new contractors started in 2014.

#### Spreads Global Compact

To make purchasing more efficient and reduce costs, Sveaskog procures framework agreement suppliers. These include travel, hotel and electricity suppliers. In the procurement process or renegotiation Sveaskog's aim is to get framework suppliers to become signatories to the sustainability requirements. This means that the Global Compact's principles also include these suppliers. In 2014, five out of six new framework agreement suppliers signed the requirements. This means that 50 out of 56 or 89% have signed the requirements. A follow-up with site visits took place during the year. Sveaskog measures how both contractors and suppliers experience the cooperation. Read more on pages 6–7.

In order to identify where risks of corruption exist, a risk analysis is performed every year. Sveaskog works with internal control, the code of conduct, guidelines and requirements for business partners and a whistleblower function. The manager responsible goes through the code of conduct with all new employees.

Eight notifications of violations of the code of conduct were received in 2014. All except one were external notifications. These related to sale of forest land, inadequate road maintenance and a contractor failing to pay wages in accordance with agreements. All notifications were examined, remedied and feedback provided to the notifiers. The internal notification related to opinions about the employment process in a recruitment. Meetings have been held to go through the routines in the employment process.

#### A good working environment obvious

A good working environment is an obvious part of

conducting long-term sustainable business and applies to both employees and contractors. A good working environment is also an important competitive tool. The working environment must be safe and characterised by respect and confidence.

#### Skills supply important

Access to skills within prioritised areas is a prerequisite for achieving objectives. Skills development through daily exchanges of knowledge and experience as well as a high degree of internal job rotation are key tools.

A leadership programme was completed during the year. In the evaluation, leaders say that they believe they have become clearer in their communication and better at delegating. The decline in the Leadership Index will be followed up to find the explanation.

In 2014, Sveaskog started its second talent programme aimed at possible new leaders.

It is important for Sveaskog's long-term development to find new ways of doing business, to continuously improve itself and its customer relationships. Throughout the country employee days have therefore been held where all employees worked with the values and how these can be put to use in their daily work.

Well conducted performance reviews provide a good foundation for participation and are often essential for a manager to be able to identify an employee's training requirements. 96% of all employees had a performance review. As regards internal job rotation, 61% of vacant positions were filled by internal applicants during the year. Employee turnover was just over 4%. The number of training days per employee amounted to 4.5 for both salaried employees and wage earners.

Sveaskog offers summer jobs to students studying forestry programmes, participates in labour market days and offers students opportunities to do their thesis work. During the year 50 students from various upper secondary school Nature Resource Use programmes did practical work at Sveaskog. Every summer Sveaskog offers schoolchildren summer jobs within planting, among other things. The youth teams are 50% girls and 50% boys. Young unaccompanied refugees were also offered summer jobs in 2014.

#### More women in forestry professions

The aim is to increase the proportion of female managers and women in forestry professions. Group management and some staff functions attended a gender training programme and all managers and employees will receive training in 2015. During the year various working groups within Sveaskog worked with equal opportunity issues, including finding methods to increase the number of women in forestry jobs.

# Nature conservation always in focus

*We want our grandchildren to also be able to walk on moss under huge spruce and feel the silence. We want to hand over well-run forests rich in wildlife and vegetation. This requires us to nurture the forest, to take good care of it.*



Nature protection and habitat management are decisive parts of sustainable forest management.

Nature protection can be formally protected areas or voluntary set-asides. Sveaskog has chosen to manage 20% of its productive forest land as nature conservation areas. Sveaskog does this in three ways: ecoparks, nature conservation forests and so-called consideration for nature which is left untouched in production forests.

### 36 ecoparks and many nature conservation forests

Sveaskog inaugurated ecopark number 36 in 2014. This means that Sveaskog has reached its target for the number of ecoparks.

Most of Sveaskog's nature conservation forests in the north of Sweden are left to develop freely. Further south habitat management is conducted to restore or strengthen natural values.

Consideration for nature in production forests consists of trees or tree groups, edge zones and sensitive biotopes that are left in the forest after felling, cleaning or thinning.

All Sveaskog's forest holdings including nature conservation forests can be seen on a map at [www.sveaskog.se](http://www.sveaskog.se).

### Ecopark after major fire

Preservation of biodiversity requires natural disturbances such as forest fires, forest grazing, flooding, dammed wetlands and storm felling. It is therefore important to allow and emulate natural disturbances in nature conservation forests so as to preserve biodiversity.

On 31 July a catastrophic major fire broke out in Västmanland. Sveaskog's land was also ravaged by fire. The company has decided to make an ecopark from the approximately 1,500 hectares of land affected. The ecopark will involve a conservation effort that ensures the survival of fire favoured and fire-dependent species throughout Central Sweden.

### Different management needs

For species that are dependent on spruce and beech, long undisturbed periods are often the key to success.

These species thrive best in darkness and so there is little or no need for habitat management in spruce and beech forests. Over time, several light-demanding species such as willow, aspen, oak, birch and pine are losers in pristine forests. When the spruce and beech grow the forests become dark and cold and the light-demanding tree species disappear over time due to the lack of light. This is why it is very important to conduct habitat management in forests with light-demanding trees.

### Activities and controls

All activities in the forest affect the landscape and biodiversity. The biggest direct effect takes place at felling. It is therefore important for Sveaskog to leave key habitats for flora and fauna untouched. The areas left can be edge zones, sensitive biotopes and nature conservation trees. Sveaskog also works to avoid hauling damage.

Guidelines and instructions are developed continuously to ensure that Sveaskog meets its commitments and certifications. Conformance is checked through audits and random checks. All reports of deficiencies are registered in the environmental and quality management system and result in immediate corrective action.

Deficiencies reported can relate to hauling damage, damage to sensitive biotopes, damage to ancient monuments and cultural environments, inadequate planning compensated by a machine team, the quality of thinning, felled natural value trees, stump height which is too high, and thinned areas.

A common type of "positive non-conformance report" is that a machine team has departed from the plan to avoid causing hauling damage.

### Remediation of contaminated soil

Sveaskog owns areas which are contaminated after earlier forest industry operations, mining operations and other leases. Sveaskog has environmental responsibility for these areas. Svenska Skogsplanter has a number of nurseries with serious contamination due to previous use of pesticides. Some of these nurseries are in need of environmental measures.

## Sveaskog's initiatives to protect and develop natural values

### 20% nature conservation land below the montane forest region

Definition	Status 31 Dec 2014	Size	Third party measurement	Cooperation
36 ecoparks	All 36 planned ecoparks have been inaugurated. Ecopark agreements with the Swedish Forest Agency are in place for 34 of these ecoparks	80,000 ha of 145,000*	Swedish Forest Agency, County Administrative Board	50-year agreement with the Swedish Forest Agency, WWF (Effect 20)
Nature conservation forests	Reported at <a href="http://www.sveaskog.se">www.sveaskog.se</a>	300,000 ha	Swedish Forest Agency, County Administrative Board	WWF (Effect 20), Swedish Forest Agency, County Administrative Board and Swedish Society for Nature Conservation (deciduous forest restoration)
Nature consideration when felling	Control self-assessments	220,000 ha	Swedish Forest Agency follow-up, FSC® audit	Method development with Swedish Forest Agency

### Nature conservation in montane forest region

Definition	Status 31 Dec 2014	Size	Third party measurement	Cooperation
Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC®	Nature reserves and ecoparks formed and quality assurance of nature conservation forests is underway	c. 100,000 ha	Swedish Forest Agency, County Administrative Board, FSC® audit	Dialogue with Swedish Forest Agency

### Restoration

Definition	Status 31 Dec 2014	Size	Third party measurement	Cooperation
Restoration of wetlands and aquatic landscapes	The objective of 100 restored wetlands has been achieved. Five aquatic landscapes identified.	–	–	Swedish Wetlands Foundation Swedish Ornithological Society

\* Additional 30,000 ha ecoparks located in montane forest region.

## Results for targets for consideration for nature when felling

Sveaskog has and will continue to have a high quality of consideration for nature when felling. Every year the company therefore follows up hauling damage and impact on sensitive biotopes, edge zones, natural value trees and cultural environments with several environmental values. The target is a challenge, to maintain 99% of environmental values in forest management without a major negative impact.

The follow-up of nature consideration in 2014 shows that the company achieved 87% of environmental values without a major negative environmental impact. This is less than the previous year and a level with which Sveaskog is not pleased.

The difference is largely explained by the natural value trees factor, which decreased from 99% to 76% without a major negative impact. Among the felled areas followed up in 2014 there are some ten which are assessed as having high natural values with a large number of natural value trees. These individual areas had a major impact on Sveaskog's total result. The company is analysing the areas concerned in order to learn for the future.

For hauling damage the proportion of environmental

values without major negative impact decreased from 98% to 96%. This mainly applies to hauling damage close to waterways and lakes as well as transport across water.

Sveaskog carries out several initiatives to achieve the target of maintaining 99% of environmental values without major negative impact. The company analyses felling carried out in areas with assessed high natural values and develops the dialogue with the Swedish Forest Agency about the boundaries between production and nature conservation forests. Sveaskog will also conduct a course in 2015 with employees in the field about general consideration and improvements in relation to various environmental values.

Target	Value 2013	Value 2014
99% of environmental values to be maintained in forest management without major impact		
Consideration areas	89	88
Natural value trees	99	76
Hauling damage	98	96
<b>Mean value</b>	<b>95</b>	<b>87</b>

## Climate effects

# The forest counteracts climate change

*The forest binds carbon dioxide and is good for the climate. The forest and use of wood are therefore important to counteract climate change. We have a clear strategy to contribute to climate initiatives.*



The forest and its long-lived products are a fantastic carbon sink. Managed forests in Sweden, including products made from wood raw material, make a net contribution to reducing carbon dioxide of 60 million tonnes per year. This corresponds to Sweden's total carbon dioxide emissions from fossil sources.

For forest owners climate change over time represents both risks and business opportunities. The opportunities consist of renewable fuels from the forest becoming a key part of the changeover to a renewable society and that demand for wood – which is a sustainable material – is increasing. The risks consist of changed weather and temperature conditions.

Sveaskog works actively in several ways to counteract climate change:

- **Increase growth by managing the forest using sustainable methods**  
This means the forest binds more carbon dioxide and Sveaskog produces more renewable wood raw material.
- **Contribute to the changeover to renewable energy systems**  
This mainly involves Sveaskog helping to develop forest-based biofuels and vehicle fuels. Sveaskog also

leases land for wind power plants. During the year more than 30 wind power plants went into operation. So far about 230 wind turbines have been put up with an annual production of 1.3 TWh.

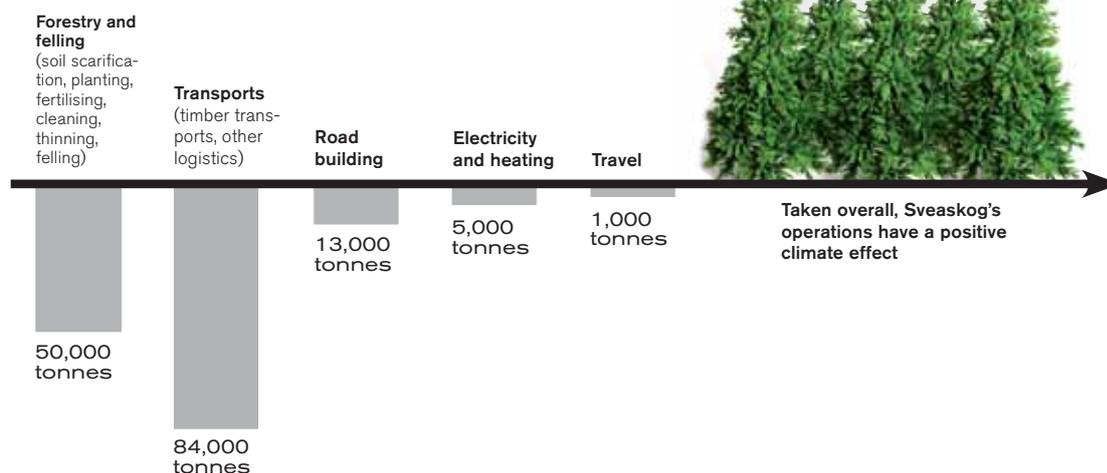
- **Contribute to the development of more products based on wood raw material**  
Sveaskog is involved in cooperations designed to develop more products where wood raw material is used in some way. Areas might include – in addition to biofuels – replacing fossil fuels in the mining and steel industry and in chemical industry processes as well as developing ecosystem services.
- **Reducing Sveaskog's own emissions of carbon dioxide**  
The target is to reduce own emissions by at least 30% by 2020 compared with 2010. Measures are mainly focused on transports and felling where the biggest emissions take place. Efficient logistics to reduce transport and the use of renewable fuels are key areas for reducing emissions and costs.
- **Adapting forest management to climate change**  
Sveaskog is also preparing forest management for unwelcome future climate effects such as storms and a warmer climate.

## Sveaskog's carbon footprint (tonnes carbon dioxide/year)

The carbon footprint is a measure of operations' emissions of carbon dioxide. The carbon footprint includes emissions from both direct and indirect applications.

Direct emissions (according to GRI) come from machines and vehicles that are owned or rented by Sveaskog as well as from heating of nurseries. Indirect emissions come from operations carried out by contractors within transport, forcing plants, silviculture and road building. This also includes business travel by bus, air, rail, rental and private cars as well as emissions from energy production of the electricity we buy. Indirect carbon dioxide emissions comprised 90% of total carbon dioxide emissions in 2014. Starting in 2014, all reported emission figures also include production and distribution of fuels used.

\* The calculation of how much carbon dioxide Sveaskog's forests can bind is based on a study of the role of the forest in climate work (2008) by the Swedish University of Agricultural Sciences (SLU) and GEOpartner AG.





The forest creates jobs and prosperity throughout Sweden.

# Corporate Governance Report

Sveaskog is a limited company owned by the Swedish state. Governance of Sveaskog is based on the Swedish Companies Act, the State ownership policy, the Swedish Code of Corporate Governance (the Code) as well as applicable Swedish and foreign legislation and regulations. Sveaskog makes every effort to apply strict norms and efficient processes in order to create value for the owner and other stakeholders. One clear basis for this is a clear delegation of responsibility.

This corporate governance report has been prepared as part of Sveaskog's application of the Code. The report has been reviewed by the company's auditors.

In accordance with the State ownership policy and guidelines for companies with state ownership, Sveaskog has made deviations from the Code in two cases: preparation of decision on nomination of the Board and auditors, which means that Sveaskog has not appointed a nomination committee, and with regard to reporting of Board members' independence in relation to the state as a major owner, which is not reported since the Code in this respect focuses on companies with a diverse ownership base.

## **If you wish to read more:**

Swedish Companies Act  
[www.regeringen.se](http://www.regeringen.se)

Swedish Code of Corporate Governance  
[www.bolagsstyrning.se](http://www.bolagsstyrning.se)

State ownership policy  
[www.regeringen.se/sb/d/2819](http://www.regeringen.se/sb/d/2819)

Sveaskog's articles of association  
[www.sveaskog.se/Om-Sveaskog/bolagsstyrning/](http://www.sveaskog.se/Om-Sveaskog/bolagsstyrning/)

Sveaskog's code of conduct  
[www.sveaskog.se/Om-Sveaskog/uppforandekod/](http://www.sveaskog.se/Om-Sveaskog/uppforandekod/)

## **ANNUAL GENERAL MEETING**

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the Parent Company Sveaskog AB (publ) was held on 24 April 2014 in Stockholm. The 2015 Annual General Meeting will be held on Thursday, 23 April 2015. More information about the 2015 Annual General Meeting is provided on page 77 in Sveaskog's Annual Report with Sustainability Report 2014 (in Swedish).

According to the State ownership policy, guidelines for companies with state ownership and the articles of association, members of parliament are entitled to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public.

## **Nomination process**

The State ownership policy and guidelines for state-owned companies specify a different nomination process than that prescribed by Code with regard to the Board and auditors.

Nomination of the Board is coordinated by the Government Offices of Sweden. The Government Offices of Sweden also submit a proposal for the Chairman of the Board and chairman at the Annual General Meeting.

Nomination of members of the Board is presented in the notice of the meeting and on Sveaskog's website. The Government Offices of Sweden is responsible for election of auditors and a decision on this is made at the Annual General Meeting. A proposal for election of auditors is presented in the notice of the meeting and on Sveaskog's website. Auditors are appointed with a mandate period of one year. The practical work of procurement of auditors is handled by the Board's audit committee together with the company and owner.

## **BOARD OF DIRECTORS**

The Board is responsible for the company's organisation and management of the company's affairs. According to the articles of association, the Board shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The articles of association do not contain any regulations on the appointment or dismissal of Board members. The company's legal counsel is the secretary to the Board.

## **Composition of the Board**

Sveaskog's Board has eight members elected by the Annual General Meeting of whom four men and four women. The Board also has two employee representatives and two deputies for them. Deputy Board members take part in all meetings.

## **The work of the Board**

The work of the Board is governed by the Board's formal work plan. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board meets its commitments. According to the formal work plan the Board shall normally hold eight meetings per year, in addition to its statutory meeting in conjunction with the Annual General Meeting. The formal work plan stipulates which issues should be examined at each meeting and which specific issues should be submitted to the Board. The work plan also states that the Chairman, on behalf of the Board, shall consult with representatives of the owner on matters of decisive significance to Sveaskog. The work plan also contains details of the Chairman's role in the Board and on assignment of responsibilities and tasks between the Board and the CEO. Every year the Board evaluates the work of the Board and monitors the work of the CEO on an ongoing basis. At least once a year the work of the CEO is evaluated without any member of group management being present.

The Board held ten meetings in 2014, including two strategy meetings. In addition to processing standing

items on the agenda, the Board made the following decisions: (i) that operations conducted by Svenska Skogsplantor AB should from 1 April 2015 cease to be conducted in a separate legal entity and become a business areas, (ii) to perform an administrative review, (iii) to propose that the Annual General Meeting adopts new financial targets, (iv) to adopt a new property strategy and (v) to carry out a major land deal with the Swedish Fortifications Agency. At the strategy meeting in June, the Board discussed the company's future challenges, efforts to reduce carbon dioxide emissions and alternative applications for wood raw material.

The Properties business area ceased to be a separate unit during the year. Responsibility for leases and minor property transactions has been moved out to the market areas. Responsibility for strategic property transactions remains at staff level.

#### Board committees

The Board's three committees prepare issues ahead of a decision by the Board. Guidelines for the work of the committees are found in the Board's formal work plan. In addition, there are special instructions for the property committee and the audit committee. Issues examined by the committees are minuted and reported at the next Board meeting.

#### Remuneration Committee

Prepares issues related to remuneration and terms of employment for senior executives.

#### Property Committee

Prepares issues relating to property acquisition, management and divestment.

#### Audit Committee

Tasks include preparing the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the focus, scope and result of audits as well as to discuss coordination between external auditors and internal control activities and approach to the company's risks.

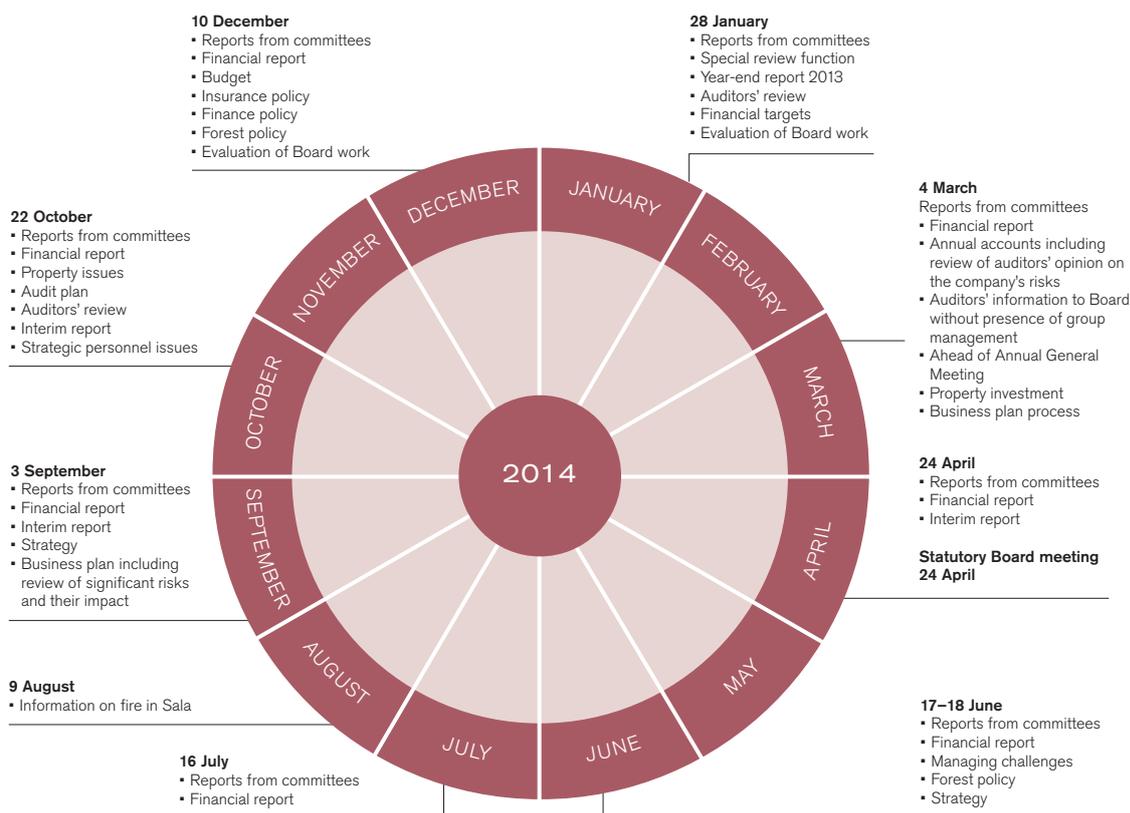
At the end of the year the committee especially prepared the work of procurement of auditors.

#### Principles for remuneration to the Board

Fees to the Board are decided by the Annual General Meeting. Fees to Board members on committees are also decided at the Annual General Meeting. In 2014, remuneration to the Board totalled SEK 1.39 million. The Board does not have a bonus or incentive programme. Employee representatives on the Board and the member employed by the Swedish Government Offices do not receive a fee.

Eva Färnstrand, Anna-Stina Nordmark Nilsson and Göran Persson invoiced fees through their own companies. An additional charge has been made for social security contributions. This arrangement is cost neutral for Sveaskog.

### Board meetings 2014



## CORPORATE STRUCTURE

Sveaskog's forestry operations with forestry and sales are organised in three geographical market areas: North, Central and South. Svenska Skogsplantor is a business unit which produces and sells tree seedlings and carries out silvicultural services. The company's operations are currently conducted in the company Svenska Skogsplantor AB but from 1 April 2015 will be converted into a business area. The operating activities are supported by group wide staffs.

Sveaskog also owns shares in companies where there is not a Group relationship, where the holding in the wood products company Setra Group is the largest.

## CEO and management

Sveaskog's CEO is responsible for ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at meetings of the Board. The CEO is responsible for ongoing business activities and contacts with the Chairman and external stakeholders. The CEO also leads the work of group management. Group management consists of six men and five women. During the year the head of the Central market areas left his employment at his own request. A new market area manager has been recruited and will take up her position in March 2015.

## SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH FINANCIAL REPORTING FOR 2014

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance which also contains a requirement for annual external provision of information

regarding how internal control, the part that relates to financial reporting, is organised. Internal control relating to financial reporting is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of year-end reports, interim reports and annual reports and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on a limited company.

## Framework for internal control

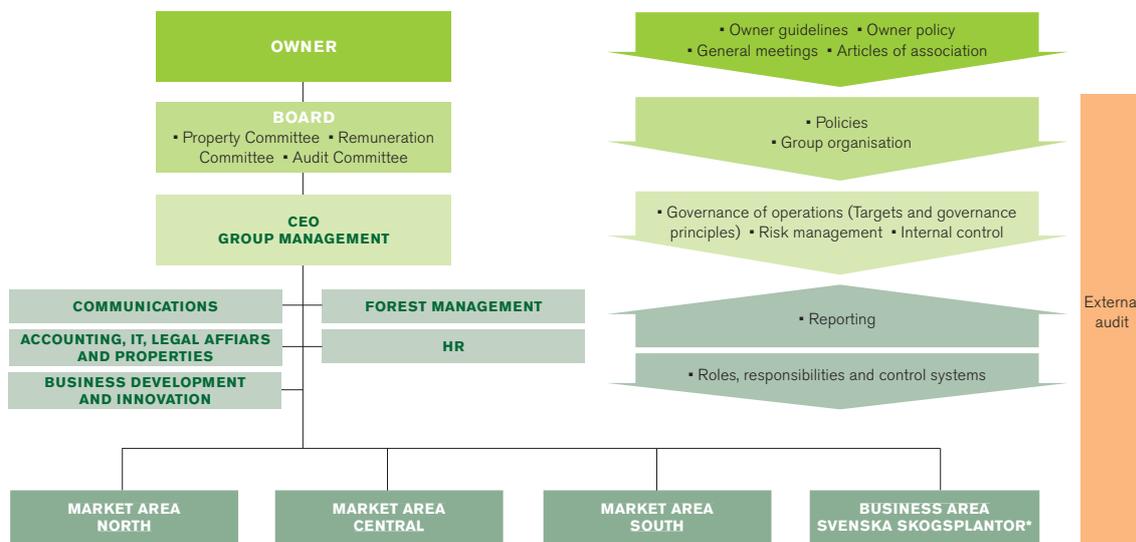
Sveaskog applies COSO's framework for documentation and analysis of internal control. The following description of how internal control is organised in relation to financial reporting, follows this structure.

## Control environment

The Board has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed an audit committee which prepares matters related to risk assessment, internal control, financial reporting and audit. The Board's risk management has been given greater scope in recent years.

Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels in the company have corresponding responsibility within their respective areas. The most significant parts of the control environment relating to financial reporting are handled in the governing documents relating to accounting and financial reporting and in the accounting handbook which is published on the intranet.

## Organisation and governance



\* From 1 April 2015

### **Risk assessment and control structures**

The Board is responsible for ensuring that the company manages its risks in the right way and that adopted principles for financial reporting and internal control are complied with. Risks in connection with the financial reporting are loss or misappropriation of assets, unlawful benefit of another party at the company's expense and other risks relating to material misstatement in the financial statements, for example relating to recognition and measurement of assets, liabilities, revenues and expenses or discrepancies in disclosure requirements.

These issues are prepared by the audit committee before consideration by the Board. A number of items in the income statement and balance sheet have been identified where the risk of material misstatement is significant. These risks can mainly be attributed to measurement of standing forest, accruals and the IT systems which support operations.

### **Information and communication**

Sveaskog has information and communication channels designed to promote the completeness and accuracy in financial reporting. For external communication there are guidelines designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq Stockholm's listing agreement.

### **Monitoring activities**

Monitoring is performed in accordance with the Board's formal work plan and the instructions to the CEO.

### **Special review function**

The Board considers that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. The CFO unit is assigned by the CEO to be responsible for risk inventories and conducting the risk management processes. The CFO unit is also responsible for a number of central controls combined with local follow-up. Operational responsibility rests, however, with the market areas and other operating areas. The Board believes that there is no need for a special review function in the company. The CFO unit is headed by the CFO Per Matses and comprises the finance and accounting staffs, IT staffs as well as legal and property staffs.

### **AUDIT**

The task of the auditors is on behalf of shareholders to examine the company's annual accounting and accounting records as well as the administration by the Board and the CEO. The Board communicates with the auditors through the audit committee, by auditors attending Board meeting at which issues ahead of annual accounts and

annual report are examined. At least once a year the auditors meet the Board without the CEO or another person in group management being present. The auditors participated in five of the audit committee's seven meetings.

Remuneration to auditors is specified in Note 6 of the Annual Report (in Swedish).

### **GOVERNING VALUES AND CODE OF CONDUCT**

Sveaskog's values must permeate the corporate culture and help all employees adopt a common approach to their day-to-day activities.

Sveaskog's values:

- Customer focus
- Innovation
- Simplicity
- Transparency

### **Governing values include:**

- **How Sveaskog conducts business**  
Employees must be professional and understand customer needs, take initiatives and be innovative.
- **How employees should act as employees and colleagues**  
Employees must be led by the vision, goals and strategies and show respect for the integrity and knowledge of their colleagues
- **How managers and leaders take special responsibility**  
Managers and leaders must create an innovative climate and create an open culture with feedback.

Sveaskog has a code of conduct that applies to all employees. Anyone concluding an agreement with customers, suppliers, contractors and consultants must ensure and monitor that these comply with the code of conduct. Sveaskog's managers shall ensure that the code of conduct is complied with in daily operations. The code must always be gone through with new employees, at performance reviews, procurements, operational follow-up, etc. The code of conduct is included as an appendix to business and cooperation agreements. In order to ensure compliance with the code there is a special reporting system for non-conformances or violations. This whistleblower function is available on the website and provides guaranteed anonymity. The Ethical Council goes through all notifications and discusses how these should be handled. The Ethical Council consists of the General Counsel, SVP Environment and the CSR Manager.

## Board of Directors

						
	<b>Göran Persson</b>	<b>Helene Biström</b>	<b>Eva Färnstrand</b>	<b>Thomas Hahn</b>	<b>Johan Hallberg</b>	<b>Birgitta Johansson-Hedberg</b>
Education		MSc Eng	MSc Eng	PhD Agronomics	MSc Econ	BA, Psychology Degree
Elected	2008	2014	2008	2007	2012	2001
Born	1949	1962	1951	1964	1974	1947
Position	Chairman	Board member	Board member CEO Färnstrand projekt AB	Board member Researcher at Stockholm Resilience Centre	Board member Investment Director/Under Secretary at Swedish Government Offices	Board member
Other assignments	Chairman of Cambio Healthcare Systems AB, Scandinavian Biogas Fuels Internationals and Sörmlands kött AB	Chairman of Cramo Oyj, Board member of Svensk Fjärrvärme and KTH	Chairman of Infranord AB. Board member of Indutrade AB. Board member of IVA, Royal Swedish Academy of Engineering Sciences	Board member of the Royal Swedish Academy of Agriculture and Forestry. Board member of the Nuclear Waste Fund	Board member of Teracom Boxer Group AB and Infranord AB	Chairman of Almi Stockholm Sörmland, Sankt Lukas Sverige AB, Svenska Linnésällskapet. Board member of Copenhagen Economics and Vittec AB
Previous experience	Prime Minister of Sweden 1996–2006. Leader of Social Democratic Party 1996–2007. Minister of Finance 1994–96. Member of Parliament and Vice Chairman of Standing Committee on Finance 1993–94. Member of Parliament and Chairman of the Agricultural Committee 1991–92. Minister for Schools 1989–91	CEO of Norrenergi AB, Vattenfall in various positions, including Deputy CEO	Plant Manager Södra Cell Mönsterås, CEO Tidningstryckarna, Business Area Manager SCA. Board member of Domsjö Fabriker, Södra Cell, Handelsbanken's regional bank in Stockholm City, Schibsted Tryck and Profilgruppen	Secretary to the Committee of Inquiry on the Value of Ecosystem Services, SOU 2013:68. Chairman of Economists for the Environment and involved in The Millennium Ecosystem Assessment	Investment banker HSBC Investment Bank, Stockholm Corporate Finance, Lenner & Partners. Chairman of Teracom Group AB, Springwell Group AB, Oak Capital AB. Board member of Metria AB, Arbetslivsresurs AR AB	President and CEO of FöreningsSparbanken and Lantmännen
Board meetings Attendance	10 of 10	7 of 7	10 of 10	10 of 10	10 of 10	9 of 10
Remuneration Committee Attendance	Chairman 3 of 3	–	–	–	–	–
Audit Committee Attendance	–	–	–	–	Board member 7 of 7	–
Property Committee Attendance	Chairman 5 of 5	–	–	–	–	Board member 5 of 5
Remuneration 2014, SEK Board Committee	400,000 50,000	150,000	150,000	150,000	–	150,000 40,000

						
	<b>Anna-Stina Nordmark Nilsson</b>	<b>Mats G Ringesten</b>	<b>Eva-Lisa Lindvall</b>	<b>Sture Persson</b>	<b>Per Eriksson</b>	<b>Lars Djerf</b>
<b>Education</b>	BSc Economics	MSc Econ				
<b>Elected</b>	2006	2009	2007	2003	2010	2010
<b>Born</b>	1956	1950	1951	1957	1966	1966
<b>Position</b>	Board member	Board member	Employee representative appointed by Association of Managerial and Professional Staff. Planning Manager	Employee representative appointed by the Swedish Forest and Wood Trade Union. Harvester operator	Employee representative, deputy, appointed by Akademikerföreningen. CEO Hjälmare Kanal AB, Manager for Land business.	Employee representative, appointed by Swedish Forest and Wood Trade Union. Harvester operator
<b>Other assignments</b>	Deputy Chairman of Svenska Kraftnät. Board member Dedicare AB, PartnerInvest AB, Swedish Academy of Board Directors	Member of the Royal Swedish Academy of Engineering Sciences				
<b>Previous experience</b>	CEO Företagarna, authorised public accountant and manager PwC, Healthcare Director Stockholm County Council, County Council Director Norrbotten. CEO Piteå-Tidningen. Director of Roads. Directorships in companies, hospitals, universities, foundations and organisations	Partner Neuman & Nydahl. Director and Head of Corporate Strategy and Business Development AB Volvo, SVP with responsibility for Group Strategy & Business Development at Procordia AB. Leading positions within the Shell Group, among others. Board member of V&S Group, Pandox AB, Kongsberg Automotive A/S, VSM Group, Pharmacia Diagnostics			Property Manager, Sveaskog, former Press Officer Swedish Forest Industries Federation, project leader Skogforsk, production leader and timber purchaser Sydved AB	
<b>Board meetings Attendance</b>	10 of 10	10 of 10	10 of 10	10 of 10	8 of 10	7 of 10
<b>Remuneration Committee Attendance</b>	–	Board member 2 of 3	–	–	–	–
<b>Audit Committee Attendance</b>	Chairman 7 of 7	–	–	Board member 6 of 7	–	–
<b>Property Committee Attendance</b>	–	–	Board member 4 of 5	–	–	–
<b>Remuneration 2014, SEK Board Committee</b>	150,000 40,000	150,000 10,000	–	–	–	–

## Auditors

Audit firm PricewaterhouseCoopers AB with Martin Johansson as auditor in charge.

## Group management

							
	<b>Per-Olof Wedin</b>	<b>Per Matses</b>	<b>Linda Andersson</b>	<b>Nina Arkeberg</b>	<b>Viveka Beckeman</b>	<b>Karin Ericsson</b>	<b>Fredrik Klang</b>
<b>Position</b>	President and CEO	Deputy CEO, CFO	SVP Communications	PA to the CEO, co-opted member of Group Mgmt	SVP Legal Affairs and Property*	SVP HR	SVP South Market Area
<b>Education</b>	MSc Eng	MBA	BA Communications Science	MSc Business Administration & Management	LLB	BSc Sociology	MSc Forestry and PhD from SLU
<b>Born</b>	1955	1958	1971	1967	1971	1956	1970
<b>Employed</b>	2011	2010	2004	2011	2012	2001	2000
<b>Assumed current position</b>	2011	2010	2004	2011	2012	2001	2012
<b>Previous experience</b>	CEO of Svevia, Head of Stora Enso business areas Uncoated Magazine Paper and Pulp, head of Transport and Distribution unit, CEO of Grycksbo Pappersbruk, management positions at SCA and Modo	Executive Vice President and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank and Finance Director at Posten	Information adviser at Gullers Grupp, MR Officer at Vattenfall, MR Manager at Posten. Member of the Swedish Forest Industry Federation's Communications Council	PA to the CEO of Svevia and Grycksbo Pappersbruk	General Counsel Aditro Holding, lawyer at Advokatfirman Vinge, Clark at the Court of Appeal, law clerk at Helsingborg District Court	Personnel Manager, Administration Manager, Personnel Secretary and Welfare Officer at Norrbotten County Council. Board member of the SLA Forest Section and Chairman of SLA Norr.	Regional Manager Sveaskog Götaland, District Manager and Head of Silviculture Västra Götaland, AssiDomän Forestry.
<b>Other assignments</b>	Board member of Setra Group AB	Board member of Setra Group AB					

\* Member of Group Management since 1 February 2014.

						
	<b>Tommy Nilsson</b>	<b>Lena Sammeli-Johansson</b>	<b>Herman Sundqvist</b>	<b>Hans Welff</b>	<b>Jan Wintzell</b>	<b>Eva Karlsson Berg</b>
<b>Position</b>	SVP North Market Area	SVP Svenska Skogsplanter Business Area	SVP Forestry	SVP Market Area Central (until Oct. 2014)	SVP Business Development & Innovation	SVP Central Market Area (from March 2015)
<b>Education</b>	MSc Forestry	MSc Forestry	MSc Forestry and PhD, SLU	MSc Forestry	MSc Forestry	MSc Eng
<b>Born</b>	1954	1959	1963	1958	1961	1959
<b>Employed</b>	1999	1985	1994	1990	2013	2015
<b>Assumed current position</b>	2012	2005	2008	2012	2013	2015
<b>Previous experience</b>	Forest Manager at Domänverket (the Swedish Forestry Service), Account Executive at AssiDomän, Market Area Manager at Sveaskog	Nursery Manager, Regional Manager, Marketing Manager at Svenska Skogsplanter	Forest Strategy Manager at Sveaskog, Silvicultural Manager at AssiDomän Forestry	District Manager, Sveaskog, Silviculture Manager, AssiDomän Forestry	Leading positions at Pöyry Management Consulting	Managerial positions with Stora Enso for past 20 years.
<b>Other assignments</b>	Board member of Shorelink and Effektivare Skogsbränsle-System	Chairman of the Committee for Seedling Protection in Forestry and the Swedish Forest Nursery Association.	Chairman of Skogforsk, Chairman of Swedish Forestry Association, Member of the Board of KSLA, the Forestry Industry's Forest Committee and Swe Tree Technologies			



The forest is the key to a sustainable society.

# Auditor's Limited Assurance Report on Sveaskog's Sustainability Report

(This is a translation of the auditor's report in Swedish published  
in the Sveaskog Annual Report 2014, p 72)

To Sveaskog AB (publ)

## **Introduction**

We have been engaged by the management of Sveaskog AB to undertake an examination of Sveaskog's Sustainability Report for the year 2014.

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

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 73 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## **Responsibilities of the auditor**

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

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons

responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

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

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

## **Conclusion**

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

Stockholm, 10th March 2015

PricewaterhouseCoopers AB

Martin Johansson  
*Authorised Public Accountant*

Fredrik Ljungdahl  
*Expert Member of FAR*

## About the sustainability report

Sveaskog describes its sustainability work and reports its performance against objectives for sustainable business in a sustainability report which is published in March each year and relates to the period 1 January–31 December. From 2014 the report is prepared in accordance with the Global Reporting Initiative's guidelines (GRI G4) and externally assured. The report thereby adheres to the owner's guidelines for external reporting.

The Global Reporting Initiative (GRI) is a network-based organisation working in cooperation with the UN Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. Detailed information about GRI and its regulatory framework is available at [www.globalreporting.org](http://www.globalreporting.org).

Sveaskog complies with GRI's guidelines and reports the results achieved for the reporting period against the background of the undertakings, strategies and sustainability governance. The intention is to present, measure and accept responsibility towards stakeholders, both within and outside the company, for what has been achieved in work towards sustainable business.

The 2014 sustainability report, which comprises pages 23–31, 42–44 and the GRI Index on [www.sveaskog.se](http://www.sveaskog.se), meets the requirements for criteria according to Core GRI G4 and is reviewed by the audit firm PricewaterhouseCoopers AB. The Board's signature of the 2014 Sustainability Report and the Auditors' limited assurance report will be found on page 70 in Sveaskog's Annual Report with Sustainability Report 2014 (in Swedish) and on page 41 respectively.

### Scope of the report

Sveaskog's ambition is to provide a comprehensive report of sustainability initiatives, where both negative and positive development is clearly stated. Sustainability work is based on the code of conduct and the policies and guidelines which govern operations. The undertakings resulting from certification and various memberships, including FSC® and Global Compact, are of major significance for sustainability work.

To support the issues that have the most effect on Sveaskog as a company and which are most significant for Sveaskog's external and internal stakeholders to take into account, the work is based on a materiality assessment carried out and decided upon

by the Sustainability Council.

First, all aspects of GRI's requirements were analysed on the basis of how important they are for the work with sustainable development which Sveaskog has identified as significant and where each aspect's effect is greatest, within or outside the company. Based on the identified aspects the various indicators were analysed and a decision taken in the Sustainability Council as to which should be reported.

The report includes a total of 21 of GRI's indicators which are listed with page references in the GRI index published on [www.sveaskog.se](http://www.sveaskog.se). All GRI's profile disclosures are reported.

### Boundaries

The information applies to the whole of Sveaskog, unless stated otherwise, a group which also includes the wholly owned subsidiaries Svenska Skogsplanter AB and Sveaskog Baltfor SIA. The sawmill group Setra Group AB, which is owned to 50% by Sveaskog AB, is not included in the sustainability report except for that part of the financial result for Setra Group AB which affects Sveaskog Förvaltnings AB's earnings. Sveaskog has two members on Setra Group AB's board and is thus able to influence Setra's sustainability work.

### Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005 and thereby takes a clear stance on issues related to human rights, social conditions, environmental responsibility, freedom of association and anti-corruption. The Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development which means that Sveaskog commits to working proactively to minimise environmental risks throughout the company, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for how multinational enterprises should conduct responsible business. More information about the Global Compact is available at [www.globalcompact.org](http://www.globalcompact.org). Sveaskog works to substantiate how these principles are reflected in the business. Each year a "Communication on Progress" (CoP) report is submitted to the Global Compact presenting the GRI indicators associated with the principles.

### Sveaskog generates and distributes value to different stakeholders as follows:

SEKm	Stakeholder	2010	2011	2012	2013	2014
<b>Value generated</b>						
Revenues	From customers	7,773	7,257	6,619	6,361	6,500
<b>Value distributed</b>						
Operating expenses	To suppliers and contractors	-5,087	-5,048	-4,850	-4,468	-4,411
Employee wages and benefits and social security costs	To employees	-523	-578	-535	-552	-522
Net interest expenses	To loan institutions	-234	-246	-317	-291	-280
Tax	To the Swedish state	-321	-220	-117	-131	-155
Dividend to shareholder (paid during the year)	To the Swedish state through the Government Offices	-487	-856	-4,473	-435	-450
Value retained		1,121	309	-3,673	484	682

# Sveaskog's employees

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

## Employees

	2010	2011	2012	2013	2014
Permanent employees	720	726	702	693	678
Average number of employees, incl. temporary employees*	964	1 008	949	899	877
Number of wage-earners	320	314	288	293	287
Number of salaried employees	400	412	414	400	391
Number of part-time/permanent employees	8/720	9/726	9/702	15/693	11/678
Number of full-time/permanent employees	712/720	717/726	693/702	678/693	667/678
Number of HR managers	99	102	93	95	91
Average age, years	48	48	48	48	48
Employees within different age groups					
-29	101	122	97	94	34
30-49	406	415	403	384	312
50-	457	471	449	421	332
Proportion recruited internally, %	72	50	79	60	61

\* Total number of hours worked/1,650.

## Breakdown of employees in the Group

	2010	2011	2012	2013	2014
Women, %*	19.4	20.2	19.9	19.7	19.8
Men, %*	80.6	79.8	80.1	80.3	80.2
Women/men on the Board, %**	67/33	67/33	50/50	43/57	50/50
Women/men in group management, %	33/67	33/67	30/70	36/64	36/64
Women managers, %	25	23	27	26	22

\* Relates to average number of employees.

\*\* Elected by annual general meeting.

## Relation between men's and women's salaries

	2010	2011	2012	2013	2014
<i>Wage earners</i>					
Women/men	13/292	17/283	16/252	21/250	18/248
Women's median salary in relation to men's, %	92	95	91	86	86
<i>Salaried employees</i>					
Women/men	110/277	113/283	113/285	108/277	103/274
Women's median salary in relation to men's, %	95	98	99	99	99

The comparison does not take into account that different requirements are made for different positions but only provides an overview of salary structure per agreement area. Salary information and number of employees refer to permanent employees in Sweden (excluding foreign subsidiaries).

## Number of permanent employees by region (market area):

Market area/region	2012	2013	2014
North*	239	214	207
Central*	233	257	249
South*	139	131	135
Stockholm**	55	54	52
Latvia/Lithuania	33	34	34
Finland	3	3	1

\* Including employees in staffs stationed within the market area.

\*\* Stationed at the head office in Stockholm.

## Total employee turnover

	2010	2011	2012	2013	2014
Total	6.9	6.6	5.9	6.2	4.6

Women/men	By age group		By market area		
	Joined	Left	Joined	Left	
6/25	15/31	<30: 12	0	North 7	9
		30-50: 18	24	Central 11	22
		>50: 1	22	South 4	7
				Stockholm 7	6
				Baltfor 1	1
				Finland 1	1

\* Proportion of employees employed for at least three years with no sickness absence during the past two years.

\*\* Work-related injuries: accidents, travel accidents, work-related illnesses which on reporting date are expected to lead to absence. Also includes minor injuries at a first-aid level. Contractor's accidents are not included. Work-related injuries are reported in SKIA, the forest industry's information system for working environment operated by AFA Insurance on behalf of the industry. Injuries are not reported by region, but follow-up takes place in the local safety committees within each market area.

\*\*\* Total number of injuries divided by hours worked x 200,000.

\*\*\*\* All absentee days (of planned working days) commenced within two days of the work-related injury.

## Total sickness absence of employees' total regular working hours, %

	2010	2011	2012	2013	2014
Sickness absence total, %	2.4	2.0	2.1	2.6	2.7
Sickness absence women, %	2.5	2.4	3.4	3.1	3.4
Sickness absence men, %	2.3	1.9	1.8	2.5	2.6
Long-term sickness absence, % of total sickness absence	51.2	41.4	36.1	49.7	45.4
Long-term health, %*	40.7	42.9	43.3	44.4	41.3
Notified work-related injuries**/1,000 average employees	8.3	6.0	9.5	4.4	6.8
Notified work-related injuries, according to GRI***	7.3	7.2	11.5	5.4	8.3
Total absentee days due to work-related injuries****	66	52	261	33	128
Sickness absence due to work-related injuries, %	0.03	0.02	0.13	0.02	0.10

## Environmental data

	2010	2011	2012	2013	2014
<b>Production</b>					
All deliveries, thousand m <sup>3</sup> sub	11,268	10,605	10,721	10,807	10,838
Deliveries from own forests, thousand m <sup>3</sup> sub	5,694	5,704	5,962	6,255	6,561
Biofuel deliveries, thousand m <sup>3</sup> sub	1,461	1,498	1,479	1,359	999
<b>Energy consumption</b>					
Non-renewable fuels, TJ	1,895	1,750	1,781	1,806	1,752
Renewable fuels, TJ				109.1	80.5
Indirect energy consumption, MWh	10,551	10,143	9,509	9,254	9,222
<b>Emissions to air</b>					
Fossil CO <sub>2</sub> , ktonnes	145	133	134	138	153*
Of which direct emissions, ktonnes	20	18.5	14	13	16
Of which indirect emissions, ktonnes	125	114.5	120	125	137
<b>Land</b>					
Total land area, million ha	4.2	4.1	4.1	4.0	4.0
Of which productive forest land, million ha	3.3	3.1	3.1	3.1	3.1
Proportion of unfelled total growth, % **	44	44	39	40	35

\* Starting with the 2014 reporting both production and distribution of fuel are included in the emission calculation.

\*\* Including uncultivated forests.

# GRI index

The below index provides an account of Sveaskog's reporting according to Global Reporting Initiative's guidelines GRI G4 and where the information can be found.

P = page

All page references below refer to Sveaskog's Annual Report/Sustainability Report 2014, in Swedish

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

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G4 EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	4, 6-7, 9, 28, 34-37, W	14, 18-21, 32	
<b>Environmental impact</b>			
<b>ENERGY</b>			
G4 EN3 Energy consumption within the organisation	4, 6-7, 19-21, 28, 34-37, 75	7, 32, 75	
G4 EN4 Energy consumption outside the organisation	4, 6-7, 19-21, 28, 34-37, 75	7, 32, 75	
<b>BIODIVERSITY</b>			
G4 EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6-7, 18-21, 28, 31, 34-37	11, 30-31, W	
G4 EN13 Habitats protected or restored	4, 6-7, 19-21, 28, 31, 34-37	11, 30-31, W	
<b>EMISSIONS</b>			
G4 EN15 Direct greenhouse gas emissions (Scope 1)	4, 6-7, 19-21, 28, 32, 34-37, W	2, 7, 32, 75	
G4 EN16 Energy indirect greenhouse gas emissions (Scope 2)	4, 6-7, 19-21, 28, 32, 34-37, W	7, 32, 75	
G4 EN17 Other indirect greenhouse gas emissions (Scope 3)	4, 6-7, 19-21, 28, 32, 34-37, W	2, 7, 32, 75	
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
G4 EN32 Percentage of new suppliers that were screened using environmental criteria	3, 4, 6-7, 19-21, 28-29, 34-37, W	29	
<b>Social impact – Labour practices and decent work</b>			
<b>EMPLOYMENT</b>			
G4 LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	4, 6-7, 19-21, 28, 34-37, W	74	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
G4 LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	4, 6-7, 19-21, 28, 34-37, W	74	
<b>TRAINING AND EDUCATION</b>			
G4 LA9 Average hours of training per year per employee by gender, and by employee category	4, 6-7, 19-21, 28, 34-37, W	29	
G4 LA11 Percentage of employees receiving regular performance and career development reviews, by gender and employee category	4, 6-7, 19-21, 28, 34-37, W	29	
<b>DIVERSITY AND EQUITY OPPORTUNITY</b>			
G4 LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	4, 6-7, 19-21, 28, 34-37, W	38-40, 74	Sveaskog does not register employee minority group membership or ethnicity.
G4 LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	4, 6-7, 19-21, 28, 34-37, W	74	
<b>SUPPLIER ASSESSMENT FOR LABOUR PRACTICES</b>			
G4 LA14 Percentage of new suppliers that were screened using labour practices criteria	3, 4, 6-7, 16-19, 26, 30, 34-37, W	28-29	
<b>Social impact – Human rights</b>			
<b>NON-DISCRIMINATION</b>			
HR3 Total number of incidents of discrimination and corrective actions taken	3, 4, 6-7, 19-21, 28, 36-37, W	29	
<b>SUPPLIER HUMAN RIGHTS ASSESSMENT</b>			
G4 HR10 Percentage of new suppliers that were screened using human rights criteria	3, 4, 6-7, 19-21, 28, 34-37, W	28-29	
<b>Social impact – Organisation's role in society</b>			
<b>SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>			
G4 SO9 Percentage of new suppliers that were screened using criteria for impacts on society	3, 4, 6-7, 19-21, 28, 34-37, W	28-29	
<b>Social impact – Product responsibility</b>			
<b>PRODUCT AND SERVICE LABELLING</b>			
G4 PR5 G4 PR5 Results of surveys measuring customer satisfaction	3, 4, 6-7, 19-21, 28, 34-37, W	2, 6-7, 27	

## Sveaskog AB

Reg. no. 556558-0031

### **Sveaskog's Group Offices**

Stockholm  
SE-105 22 Stockholm  
Tel +46 8 655 90 00  
Visitors' address: Torggatan 4

Kalix  
Box 315  
SE-952 23 Kalix  
Tel +46 923 787 00  
Visitors' address: Torggatan 4

Mail: [info@sveaskog.se](mailto:info@sveaskog.se)  
[www.sveaskog.se](http://www.sveaskog.se)

### **Contact:**

Charlotte Jönsson  
[charlotte.jonsson@sveaskog.se](mailto:charlotte.jonsson@sveaskog.se)  
Tel: +46 8 655 92 74

