

Communication  
on progress | 2015

# Growing power. **For generations.**

Sveaskog creates **growing power** by contributing to customer competitiveness, jobs and a living countryside, to increased forest growth and rising forest values, to employee development and a profitable company.

**For generations** means that we act responsibly in a long-term perspective and we accept responsibility for a green transition and increased climate benefit.



## The year in brief

- ✓ Net sales decreased by 2% to SEK 6.1 billion
- ✓ Operating profit from continuing operations increased by 2% to SEK 1.3 billion
- ✓ Dividend SEK 800 million proposed to the 2016 Annual General Meeting
- ✓ Improved total productivity
- ✓ Improved employee motivation
- ✓ International recognition of the significance of the forest in climate initiatives
- ✓ Decision on 37th ecopark after forest fire in county of Västmanland
- ✓ Changed discount rate increased value of forest assets

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■ The legal annual report including the administration report and financial statements comprises pages 4–6, 12–26 and 33–74 of the Annual Report (in Swedish).

■ The sustainability report that has been reviewed by the auditors is on pages 7–11, 28–32 and 76–80. The GRI Appendix which has also been reviewed by the auditors is published on the company's website [www.sveaskog.se](http://www.sveaskog.se).

## CEO's comments

### Our forests and our sustainable forest management are critical for the climate

2015 was a year of optimism for the forest industry. In Sweden, major investments were announced in extended capacity in sawmills and pulp and paper mills. The year ended with forestry being highlighted in COP21 as a central area for global climate objectives.

Sveaskog made progress in several key areas in 2015. We improved our operating profit from continuing operations and exceeded our yield target. Confidence in Sveaskog is high and customers and contractors continue to be pleased with us as a supplier and partner. Employee motivation has increased and our managers are highly regarded. Pride in working at Sveaskog and willingness to recommend others to apply for jobs with us have increased. These are key steps on the route towards the target to be the preferred choice for employees.

We have continued our efforts to reduce the carbon footprint in our own operations. It is primarily transports that cause the largest carbon dioxide emissions. Together with our contractors we have been increasingly successful in introducing renewable fuels and climate-smart transports. Our carbon dioxide emissions have therefore continued to decrease.

During the past year we focused on nature conservation initiatives in our forest management. Both employees and contractors have received extensive training and been involved in this work and it is highly satisfactory to see the improvements we have achieved during the year. Today we maintain 94% of environmental values in forest management without significant impact. The target is to maintain 99% of environmental values without significant impact.

Our former Head of Forestry, Herman Sundqvist, has been appointed by the Swedish government as Director General of the Swedish Forest Agency. Herman has been a strong and clear representative of the Swedish model where production and environment are equally important. I wish him well in his move to this new and significant position.

#### SEK 7.9 billion dividend

It is positive to note that productivity in Sveaskog



“ Let us build more in wood for the sake of the climate

continued to improve in 2015. We have exceeded our owner's financial targets and the Board has proposed a dividend of SEK 800 million. During the past five years, Sveaskog has paid a total dividend of SEK 7.9 billion to its owner the Swedish State.

The commitment of Sveaskog's employees and contractors has been decisive for our fine results. We should be proud and pleased about what we have achieved together. I would like to say a big thank you for the excellent performance during the year.

#### COP21 important for forest industry

Optimism returned to Swedish forest industry last year and major investment is now being made in future capacity. In total investments were announced of approximately SEK 17 billion in extended sawmill capacity and pulp and paper mills. This provides jobs and revenues to society and is also positive for the climate when we use more of the renewable wood raw material.

The year also ended on a positive note at an international level. It was an important step for the industry when the world agreed to highlight the significance of the forest for the climate in the COP21 Agreement. The agreement emphasises the positive climate impact of both standing and felled forests. Management of the

forest is described as a success factor for ensuring the Earth's temperature does not rise by more than two degrees.

The climate benefit from the forest is greatest with active forest management where mature trees are felled to be used for different products and where new trees are planted. When renewable wood raw material is used it often replaces energy intensive and fossil resources in construction material, packaging, fuel and energy. Research and development will lead to an increasing number of products being based on wood raw material. These include textiles, bioplastics and food.

The COP21 Agreement gives Sweden an opportunity to profile itself as a 'green innovator'. We have the forest, the expertise and the industrial capacity to be able to develop new renewable products.

Work with the Swedish national forest programme got underway during the year and we in the forest industry have hopes of a holistic perspective and basis for a long-term forest policy. Three key areas for the national forest programme are construction in wood, energy and biofuel as well as research into bioeconomics. These areas

are also significant in an international perspective and open business opportunities for Sweden and Sveaskog.

### Keeping rural areas alive

By maintaining felling at a high, consistent and sustainable level over time, we ensure a good return on our forest assets at the same time as contributing to a competitive forest industry.

Sveaskog operates to a considerable extent in rural areas. Most of our 688 employees work outside major cities with the forest as their workplace. Our contractors employ approximately 1,400 full-time employees, important jobs that provide a basis for living communities in forest counties. Our 40,000 kilometres of forest roads are open to everyone who wishes to visit the forest. Without our active forest management, Sweden would be a more desolate country.

Our challenge is the continued depopulation of rural areas. In order to ensure our skills supply over time, we depend on people who can and want to live throughout the country.

The issue of integration was in focus last year and we made a business decision to increase our involvement in breaking the exclusion of rural areas. This gives us an opportunity to create new contacts with municipalities, authorities, politicians, other companies and organisations at the same time as we broaden the recruitment base for ourselves and our partners in rural areas. Every year we will take on 50 people for a three-month internship and we will also increase with 50 places the number of silvicultural summer jobs for young people. In our silvicultural youth teams we want to bring together young people with Swedish and foreign backgrounds.

We have been working for several years to make Sveaskog a more equal opportunity workplace. An increasing number of employees feel that equal opportunities have increased which is positive. One step in this work is equal opportunity training for Sveaskog's employees. During 2015, all leaders in the company were trained to provide courses for employees and feedback is highly positive.

Greater diversity and equal opportunity improves our recruitment base at the same time as we gain other positive effects such as more efficient working groups, greater job satisfaction and increased profitability. We also help to create better conditions for viable communities in rural areas.

The basis for profitable business activities over time is sustainability. We are signatories to the UN Global Compact and report according to the Global Reporting Initiative. In this way we show our support for internationally recognised business ethics and our long-term commitment to sustainability issues.

The forest has created value for Sweden for many centuries. The fantastic thing about the forest is that it will also create value for future generations. We have a major responsibility to manage the forest in a sustainable way and contribute to a good return for our owner, growth in society and the highest possible climate benefit.

Stockholm, 11 March 2016



Per-Olof Wedin  
President and CEO

## Comments from the Chairman

More than 10% of Sweden is covered by forest that is owned by the Swedish people. Our shared forest meets many needs. It generates valuable raw material for the country's successful forest industry. A competitive forest industry contributes to jobs and prosperity around the country.



The forest also binds large amounts of carbon dioxide which makes it important for the climate. It binds most when growth is at its highest. Therefore it is good for the climate to manage forests. It also provides renewable wood raw material that replaces fossil and energy-intensive materials. The forest also provides rich opportunities for outdoor activities and recreation. Our assignment at Sveaskog is to manage and develop the forest with a good rate of return at the same time as we meet these needs and protect important natural values.

One prerequisite for success in our assignment is the confidence of our business environment. Sveaskog has 688 skilled and dedicated employees who go to work every day in order to meet these expectations in the best possible way. The business is going well and confidence is high among our partners. Despite this there are those who question what we do and some who perceive a lack of transparency on our part. We must meet such questions with respect and humility. We must answer, explain and perhaps sometimes even adjust the way we work in order to achieve a situation in which we fulfil our assignment in constructive dialogue with our stakeholders.

The forest is a key piece of the jigsaw when Sweden wants to convert to a sustainable society. Sveaskog is actively involved in key projects to drive development towards more wood-based products and materials. The dialogue with politicians, the business community and academia is essential for success. We need to help each other to identify the right activities and control mechanisms to accelerate the green transition.

Success factors include creativity and innovation which in turn require greater diversity in the industry. We must become more attractive to groups that are under-represented today and we will do this with an inclusive leadership that welcomes different approaches. The entire industry has a job to do here and I am proud to see Sveaskog leading the way in this work and offering employment opportunities to people who are excluded today.

A lot of good things are being done in Sveaskog today. We have every reason to be proud. But there is a lot to do before we are satisfied.

Helene Biström  
Chairman of the Board

## Operations in brief

### A customer-oriented organisation

Sveaskog is Sweden's largest forest owner and is owned by the Swedish state. The company conducts operations in many places in Sweden while being strongly dependent on global markets.

#### Sveaskog:

- Sweden's largest forest owner
- Owns 14% of productive forest land in Sweden
- Sells sawlogs, pulpwood and chips, biofuel and tree seedlings
- Has set aside 20% of its productive forest land for nature conservation
- Has 688 employees
- Has offices in some 50 locations
- Works with 1,200 contractors
- Has 36 ecoparks
- Is Sweden's largest owner of roads and lakes

#### The business

Sveaskog is Sweden's largest forest owner with 4.0 million hectares of land of which 3.1 million hectares are productive forest land. The forest holdings are located in 200 of Sweden's 290 municipalities. From its own forests, Sveaskog supplies sawlogs to sawmills, pulpwood to pulp and paper mills and biofuel to energy companies. In order to meet customers' wood raw material requirements, Sveaskog complements deliveries from its own forests with wood raw material purchased from other forest owners, exchanges or imports. Sveaskog has a presence in Latvia through a subsidiary since most of imports are from the Baltic countries.

Sveaskog also produces and sells tree seedlings and provides silvicultural services. The company leases land and water for wind power, hunting and fishing.

The majority of Sveaskog's customers are located in Sweden. Customers export a large proportion of their products which means that Sveaskog's sales depend on the economic climate in many markets outside Sweden.

#### The assignment

Sveaskog is owned by the Swedish state. According to the state's owner policy, state-owned companies must have value creation as their overall objective. This means that the companies must operate in a long-term manner, efficiently and profitably, be allowed to develop and create value through sustainable business.

According to the articles of association, Sveaskog owns and manages real and personal property, conducts forestry operations and forest industry as well as related business activities. The core business is forest management. Sveaskog must also be an independent player without major interests as an end user of wood raw material. The company can also conduct related activities if these contribute to higher returns. 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.

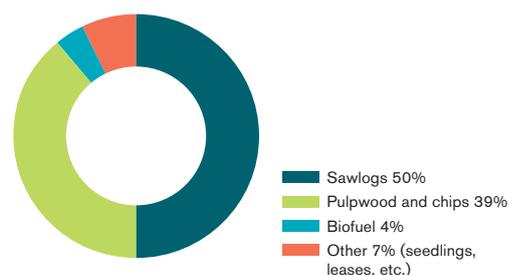
#### The organisation

Sveaskog's operations are organised in three geographical market areas, Svenska Skogsplantor and other business. The division into market areas is based on the forest assets, customer structure and trade flows.

Market areas have customer, production and delivery responsibility for the wood raw material. They are also responsible for concessions and one of the market areas includes Mörrum salmon fishing. Other business includes Hjälmare Canal.

Product offering	Customers
Sawlogs	Sawmills
Pulpwood and chips	Pulp and paper mills
Biofuel	Heating plants, CHP plants, pulp and paper mills
Tree seedlings	Forest owners
Silvicultural services	Forest owners
Leases	Energy companies, companies with peat, rock or gravel pit operations, hunting teams, fishing, private individuals, associations, municipalities, telecom companies, and others

Product area in % of net sales



Sveaskog creates growing power by contributing to customer competitiveness, jobs and a living countryside, to increased forest growth and rising forest values.

# Vision, mission, strategies and values

## To be the leading forest company

Governance of Sveaskog is based on the company's vision, mission, strategies, shared values and objectives.

Sveaskog's vision describes the position the company wishes to reach. The mission describes why Sveaskog exists and the values the company creates. Values indicate how employees should act and react to each other and their business environment. The various strategies are linked to the targets for sustainable business. These targets are measured regularly and reported on pages 9–11.

### Vision

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

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

### Mission

Sveaskog's mission is "Growing power. For generations."

Sveaskog creates growing power by contributing to customer competitiveness, jobs and a living countryside, to increased forest growth and rising forest values, to employee development and a profitable company.

"For generations" means that we act responsibly in a long-term perspective and we accept responsibility for a green transition and increased climate benefit.

### Strategies

Sveaskog's strategies are intended to achieve the vision of being the leading forest company. The strategies are broken down into different activities with clear responsibility and regular follow-up.

The strategies are based among other things on the regular dialogue that Sveaskog has with the company's various stakeholders. By systematically collecting customers' opinions and measuring customer satisfaction, the company obtains basic material for use when strategies and targets are discussed and adopted.

### Values

Sveaskog's work is characterised by the values Customer Focus, Innovation, Simplicity and Transparency.

The company works with value-driven leadership and employeeship. These values indicate how Sveaskog conducts business, how employees should act as co-workers and colleagues as well as the responsibility managers and leaders have for developing employees and conducting business. The values mean among other things that employees must be professional and understand customer needs, take initiatives and be innovative. Leaders have a special responsibility for creating an innovative climate and an open culture with feedback where both managers and employees learn from successes and failures.

## Sveaskog's objectives and strategies



## How we create value

### Sveaskog creates value for generations

With a high local presence in Sweden, Sveaskog is at the centre of society. The company is Sweden's biggest forest owner and its operations affect many stakeholders. Sveaskog therefore has a broad perspective for its operations and strategic choices.

Sveaskog analyses the entire value chain in order to identify and work with the most relevant environmental, social and economic issues. This gives the company an understanding of how its operations affect others.

Since its operations affect and influence many people, Sveaskog has dialogues with a large number of stakeholders. Ten principal stakeholder groups that either affect or are affected by operations have been identified. These groups are customers, owner, employees, contractors, timber suppliers, tourism companies as well as hunters, anglers, etc., reindeer herders, credit providers, authorities and nature conservation organisations.

Dialogues with stakeholders are ongoing both in daily operations and at a company-wide level. These dialogues provide insight into what stakeholders expect from Sveaskog and provide a basis for strategic choices and priorities for operations.

The stakeholder dialogues carried out in 2015 are reported in Note S3.

#### Materiality assessment

Stakeholder dialogues, the directive from the owner and its own experience provide the basis for the assessment Sveaskog makes of the company's value chain and its impact on the economy, environment and society. This results in a materiality assessment where the issues Sveaskog assesses as strategically important and stakeholders regard as most significant are weighed up. Based on this, Sveaskog develops its strategies and priorities.

The strategic areas that Sveaskog and its stakeholders regard as important are:

- Confidence
- Economic performance
- Climate effects
- Customer satisfaction
- Biodiversity
- Equal opportunity, diversity and skills supply

Regular and systematic measurements are performed to monitor how well the company has succeeded with its strategies. The results of these measurements are reported on pages 9–11.

#### Confidence

Sveaskog is dependent on the confidence of its business environment. The code of conduct clarifies how employees and the company should behave in relation to each other, to customers, contractors and other stakeholders.

In all procurement processes, Sveaskog also requires contractors and suppliers to comply with the code of conduct, the UN Global Compact and general sustainability requirements.

How well contractors and suppliers are complying with these requirements is regularly monitored through self-assessments and internal audits. If non-conformances are found, a dialogue is initiated and the cooperation can be discontinued if action is not taken to correct the non-conformances.

Sveaskog has a whistleblower function on its website where suspected breaches of the code of conduct can be reported anonymously. Since the end of 2015 such notifications have been managed and examined by an external party. No notifications were received during 2015.

Read more about how Sveaskog works with its contractors on page 28. How contractors and suppliers perceive their relationship with Sveaskog is reported on pages 9–11.

#### Economic performance

By maintaining felling at a high, consistent and sustainable level over time, we ensure a good return on our forest assets at the same time as contributing to a competitive forest industry. Sveaskog delivers significant values to society. The direct economic values created in the company and at stakeholders can be measured and are reported on page 8.

Sveaskog also contributes significant indirect economic values to society. For example, the company has 688 employees and uses approximately 1,200 contractors. Most of these work in rural areas or small communities. Sveaskog is Sweden's biggest owner of forest roads which it maintains. The forest also creates significant indirect economic values for society by binding carbon dioxide and therefore helping to counteract climate change.

Financial performance is reported on pages 12–13.

## Climate effects

The forest and how wood is used 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. The forest provides the greatest climate benefit with active forest management where mature trees are felled to be used for various products. Wood is a renewable raw material unlike finite fossil resources. Products made of wood continue to store carbon dioxide and this become an active carbon sink.

The company tries to adapt forest management to unwelcome future climate effects such as storms and global warming.

Read more about how the forest counteracts climate change on page 32. On the same page and on page 11 read about how Sveaskog works to reduce its own carbon dioxide emissions.

## Customer satisfaction

Satisfied customers are the basis for value-creating sustainable business. Sveaskog works continuously to develop its customer relationships. This work includes developing the business and business models together with customers. Customer satisfaction is high in all customer categories.

Sveaskog reports its measurement of customer satisfaction on page 9.

## Biodiversity

All activities within forest management can affect biodiversity. Sveaskog therefore works with nature conservation activities on different scales, from landscapes to individual forests as well as trees and tree groups. Nature conservation includes leaving areas untouched and active

efforts to increase natural values.

Habitat management is the collective term for a large number of different management methods used by the company in order to maintain or develop biodiversity in the forest. Sveaskog also works to restore contaminated land on which earlier forest industry activities, mining or other lease-based activities took place.

Read more on pages 30–31 about Sveaskog's efforts to maintain or develop biodiversity in the forest.

## 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 important for ensuring the skills requirement is met and for continued development of operations in the longer term. Sveaskog operates in places where depopulation is a problem and therefore wants to continue to help keep rural areas alive by offering employment opportunities.

Read more about Sveaskog's employees on page 26. How well Sveaskog is succeeding in achieving its objective of increasing the proportion of women is reported on page 10.

## Sustainability reporting

Sveaskog complements its financial reporting with a sustainability report prepared according to the Global Reporting Initiative (GRI G4 level Core) and reviewed by the auditors. Notes to the sustainability report are provided on pages xx–xx. Sveaskog's entire GRI index with explanation of indicators is provided on the website at [www.sveaskog.se](http://www.sveaskog.se).

Sveaskog has also supported the UN Global Compact since 2005.

### Breakdown by stakeholder of values generated by Sveaskog:

SEKm	Stakeholder	2011	2012	2013	2014	2015
Revenues	From customers	7,257	6,619	6,361	6,500	6,381
Operating expenses	To suppliers and contractors	-5,048	-4,850	-4,468	-4,411	-4,245
Employee wages and benefits and social security costs	To employees	-578	-535	-552	-522	-526
Net interest expenses	To loan institutions	-246	-317	-291	-280	-207
Tax	To the Swedish state	-220	-117	-131	-155	-174
Dividend to shareholder paid during the year	To the Swedish state through the Government Offices	-856	-4,473	-435	-450	-800
Value retained		309	-3,673	484	682	429

Sveaskog also invests in local communities among other things with maintenance of roads and trails as well as road and information signage. The table only contains the values that can be measured and they are reported according to GRI indicator EC1.

# Targets and performance for sustainable business

## Increased efficiency and high confidence

Sveaskog has set clear and measurable targets linked to its strategies. The targets are measured regularly and the results are central components when business plans and strategies are revised.

Sveaskog's overall priorities are to create profitability and long-term growth in value, to ensure a high level of confidence in forest management and to contribute to the green transition.

Sveaskog must create a good value development for its owner in both the short and long term. In the short-term perspective operating profit from continuing operations is the driving force. In the long-term it is important to have satisfied customers and motivated employees in order to conduct sustainable and profitable operations.

Targets 2019 relate to the final year in the present business plan.

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

The owner has set a profitability target of an average yield of 4.5% per year. This target was met in 2015 with a yield of 4.7%.

Sveaskog also focuses on long-term value development. This includes the company working to streamline the forest holdings through purchases as well as sales and exchanges of land.

Sveaskog is one of the leading players within forest management. It is important that the general public, customers and employees have high confidence in both the company and forest management itself. Good ethics are essential for building confidence and a strong brand. In order to build greater confidence, the company is involved in public debate and participates in industry initiatives aimed at gaining public confidence that the forest is being managed responsibly.

Confidence in Sveaskog was at a high, stable level in 2015. The Confidence Index is high compared with other Swedish companies. The metric is based on questions put to customers, contractors and suppliers.

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

Indicator	Metric	Value 2013	Value 2014	Value 2015	Target 2019
Average yield 4.5% per year	Yield	3.9	5.0	4.7	At least 4.5
Confidence in Sveaskog	Confidence Index	71	78	78	80

### Customers' preferred and most knowledgeable partner

Satisfied and profitable customers are the foundation of value-creating sustainable business. Work on developing customer relationships continued during 2015.

The most important thing for customers is that the company delivers the right quantity and quality at the right time. Sveaskog also focuses on developing its range of products and services in order together with cus-

tomers to contribute to their value creation.

In 2014 almost half of customers felt that their attitude to Sveaskog as a partner had become more positive. Customers were particularly satisfied with availability, delivery quality and contacts. The highest values were noted among sawmill customers. Customer satisfaction was not measured in 2015. The next measurement will take place in 2016.

### Customers' preferred and most knowledgeable partner

Indicator	Metric	Value 2013	Value 2014	Value 2015	Target 2019
Satisfied customers	Customer Satisfaction Index sawmill customers	74	75	- <sup>1)</sup>	80
	Customer Satisfaction Index pulpwood customers	45	66	- <sup>1)</sup>	55
	Customer Satisfaction Index biofuel customers	61	68	- <sup>1)</sup>	67
Satisfied suppliers	Supplier Satisfaction Index	67 (2012)	73	- <sup>1)</sup>	70

<sup>1)</sup> Next measurement in 2016.



Sveaskog creates significant values for society. The company's operations create a foundation for development of communities in rural areas.

### Preferred choice for employees and contractors

Value initiatives are important for strengthening the corporate culture and employee motivation. This work includes internal communication about Sveaskog's mission and developing leaders. In order to ensure access to skilled leaders in the future, the company conducts a talent programme.

Employee motivation increased during the year and the positive opinion of leaders strengthened. This is the result of efforts to develop a value-driven leadership and employeeship. Managers have also continued to develop a culture with more coaching and feedback. The response rate in this year's employee survey was high, 86%, which shows involvement in the company and that employees find it meaningful to give their views.

During 2015 there was an internal dialogue on how and why the company manages forest as well as Sveaskog's assignment. This dialogue will continue in 2016. The discussions also concerned different local conditions and challenges for forest management in terms of forest growth and customer demand. The background to this initiative is that for some time a far too high proportion of employees have felt that trees are felled too early.

### Contractors and suppliers

Contractors are important to both Sveaskog's ability to deliver long-term value growth and confidence. Sveaskog

works with motivated and skilled contractors. In recent years the company has systematically developed cooperation with selected contractors. The focus has been on method and technology development in order to also contribute to value development for contractors.

Contractor and supplier satisfaction were not measured in 2015. The next measurement will take place in 2016.

### Equal opportunity

A more even gender distribution and increased diversity are significant for strengthening Sveaskog's attraction and ensuring the best possible skills base over time. This will also lead to improved efficiency and profitability.

Good opportunities for development and a clear acceptance of responsibility are significant to both employees and contractors. The company is therefore taking part in a project to develop the industry's profitability, working conditions and quality. By actively marketing the industry towards both existing and new target groups, more women and more employees with a non-Swedish background will be attracted. An internal, web-based training course in equal opportunity which all leaders are holding for their employees started in autumn 2015.

Preferred choice for employees and contractors					
Indicator	Metric	Value 2013	Value 2014	Value 2015	Target 2019
Good leadership and employeeship	Employee Motivation Index	–	64	70	75
	Leadership Index	70	65	73	72
	Contractor Satisfaction Index felling	70 (2012)	70	– <sup>1)</sup>	72
	Contractor Satisfaction Index silviculture	–	73	– <sup>1)</sup>	72
At least 30% women by 2020 and more employees with non-Swedish backgrounds	Gender balance	20	20	21	28

<sup>1</sup> Next measurement in 2016.

### Leading within innovation and efficiency

Sveaskog makes active efforts to increase consumption of and therefore the value of wood. Together with customers and other stakeholders the company works to convert research and development into actual wood consumption and value-creating solutions. The target to increase revenues is part of these efforts and includes the development of new applications such as fuel and replacements for plastic. The company also wants to contribute to the green transition and is therefore involved in various initiatives designed to replace fossil products.

Sveaskog has a target to increase efficiency. Achieving this involves productivity programmes and new working methods based on the lean philosophy which are being implemented in several workplaces.

Monitoring efficiency involves measuring total aggregate productivity and total productivity per volume unit. The target is an increase of at least 2% per year.

Total productivity is the percentage change in operating profit from continuing operations in the forestry business between two years and at fixed prices. The target means that every krona of profit is important. Total productivity improved by 3.2% in 2015.

Total productivity per volume unit is the percentage change in operating profit from continuing operations per volume of roundwood from own forest between two years and at fixed prices. The target means that the company must continually develop value from its deliveries. Total productivity per volume unit increased by 2.5% in 2015.

Leading in innovation and efficiency					
Indicator	Metric	Value 2013	Value 2014	Value 2015	Target 2019
Increased efficiency, change %	Total productivity	+18.6	+12.3	+3.2	At least 2% per year
	Total productivity/volume unit	+12.7	+5.3	+2.5	At least 2% per year

### Leader within sustainable forest management

By managing the forest Sveaskog guarantees the highest long-term profitability as well as increased positive climate impact. Returns are maximised over time while carbon dioxide retention increases. Timber removals from own forests will be maximised sustainably so that levels do not need to be reduced in the future.

The quality of nature conservation will be improved in the forests at the same time as forest management is adapted to outdoor and experience values in popular areas. Biodiversity as well as maintaining valuable cultural environments in the forest landscape are important to

Sveaskog. The Consideration Index which measures the proportion of environmental values achieved in forestry without major impact, has risen since 2014. Improvements have primarily been related to sensitive biotopes and protective edge zones.

Sveaskog also has a target to reduce its own and contractors' emissions of fossil fuels by using renewable fuels and climate-smart transports. In line with this development work is under way to increase the load factor on the large lorries that transport timber. The company's carbon dioxide emissions continued to decrease in 2015.

Leader within sustainable forest management					
Indicator	Metric	Value 2013	Value 2014	Value 2015	Target 2019
99% of environmental values maintained in forest management without significant impact	Consideration Index	95	87	94	99
Carbon dioxide emissions to be 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	13.6	11

## Financial results

### Good profitability 2015

Operating profit from continuing operations increased in 2015. Sveaskog's financial position is strong and cash flow is stable. The total dividend over the past five years is SEK 7.9 billion.

In 2015 net sales fell by 2% to SEK 6,078 million (6,232). Both delivery volumes and average prices fell by 1%. The lower delivery volume reduced sales by SEK 48 million and lower prices reduced sales by SEK 65 million. Demand for sawlogs and tree seedlings increased during the year while delivery volumes of pulpwood and chips decreased slightly. Demand for biofuel continued its weak development from 2014.

#### Higher operating profit from continuing operations

Operating profit from continuing operations increased by 2% to SEK 1,280 million (1,254). Delivery volumes from Sveaskog's own forests were in principle at the same level as in 2014. The proportion of deliveries from stocks previously recognised as revenue increased, however, and had a negative impact on operating profit of SEK 48 million. Earnings were positively affected by SEK 36 million attributable to a VAT remission from the beginning of the 2000s which was settled during the year. Earnings were also positively affected by slightly higher capital gains from development land and improved productivity.

#### Change, operating profit from continuing operations

2014	1,254
Price, own wood raw material	-1
Delivery volume, own wood raw material	3
Change in stocks	-48
VAT remission	36
Capital gain development land	23
Other	13
2015	1,280

Capital gains from property sales related to forest land

and standing timber amounted to SEK million (68).

Operating profit before change in value of forest assets amounted to SEK 1,368 million (1,386). Change in value of forest assets was SEK 1,432 million (1,032). The increase is mainly an effect of a change in the discount rate used when calculating the value of assets from 6.25% to 5.95%. After change in value of forest assets, operating profit amounted to SEK 2,800 million (2,418).

Net financial items were SEK -214 million (-261) which is mainly attributable to lower interest rates. Profit before tax rose 20% to SEK 2,586 million (2,157). Tax for the period amounted to SEK -569 million (-466). Profit for the period rose 19% to SEK 2,017 million (1,691).

#### Strong cash flow

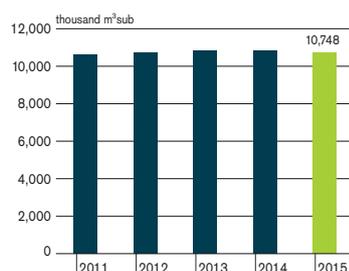
Cash flow from operating activities amounted to SEK 909 million (769). The increase was mainly due to a positive change in working capital.

Investments in property, plant and equipment amounted to SEK 329 million (132) and mainly comprised forest land and forest machines. Investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 234 million (194) and sales of shares amounted to SEK 2 million (0). Cash flow includes a dividend from the associate company Setra Group AB of SEK 32 million (0).

#### Strong financial position

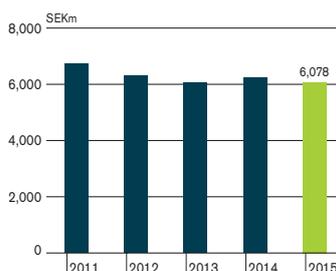
Sveaskog's interest-bearing net debt decreased by SEK 118 million during the year and at 31 December amounted to SEK 8,089 million (8,207). At the end of

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



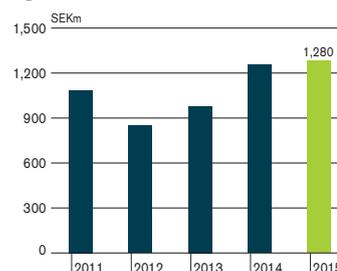
Deliveries solid under bark (sub) decreased by 1% in 2015.

Net sales, SEKm



Net sales decreased by 2% in 2015 due to slightly lower delivery volume and average prices.

Operating profit from continuing operations, SEKm



Operating profit from continuing operations increased by 2% in 2015. The increase was due to a larger proportion of deliveries from revenue recognised stocks and non-recurring income.

the year, the loan portfolio mostly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. Approximately 5% of the portfolio consists of bank financing. The loan volume under the commercial paper programme amounted to SEK 2,720 million (2,110) and is refinanced regularly. Under the MTN programme the outstanding volume at 31 December was SEK 4,290 million (5,190).

The lowest average fixed interest period during the year was approximately 30 months (29). The net debt/equity ratio amounted to 0.41 (0.44). Interest cover amounted to 6.2 (4.8) and the gross borrowing cost was 1.86% (2.55).

### SEK 7.9 billion dividend 2011–2015

A dividend of SEK 800 million (800) is proposed to the Annual General Meeting. In 2011–2015 Sveaskog has distributed at total of SEK 7.9 billion to its owner the Swedish state.

### Financial targets

Sveaskog's owner, the Swedish state, has set the following financial targets for the company

- Yield to amount to an average of at least 4.5% per year. Yield in 2015 amounted to 4.7% (5.0).
- Net debt/equity ratio 0.3–0.6. The net debt/equity ratio for 2015 was 0.41 (0.44).
- Dividend payout ratio to amount to 65–90%. Over time the ordinary 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 implementation of the Group's strategic and investment requirements. The dividend payout ratio is 89% for the proposed dividend in 2016. The dividend payout ratio was 90% in 2015.

### 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. Operating income for Sveaskog AB (publ.) in the year amounted to SEK 15 million (16). Profit after net financial

items was SEK 3 million (–3). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

### Number of employees

The number of employees at year-end amounted to 688 (678). The average number of employees during the year was 851 (877).

### Share of profits of associates

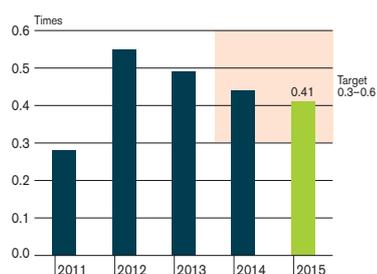
Sveaskog owns shares in companies where a group relationship does not exist. The holding in the wood products company Setra Group AB is the largest holding where Sveaskog owns 50% of the shares. 50% of Setra Group's profit is recognised as share of profits of associates in Sveaskog's income statement.

Setra Group's net sales increased by almost 1% to SEK 4,218 million (4,194) and operating profit amounted to SEK 47 million (201). Operating profit was affected by a less favourable market situation that was counteracted by a weaker Swedish krona and completed efficiency improvements. Earnings also included discontinuation costs for the planing mill in Valbo of SEK 19 million. Setra Group's cash flow from operating activities was strong. Sveaskog's share of profits amounted to SEK 10 million (64).

### Condensed income statement

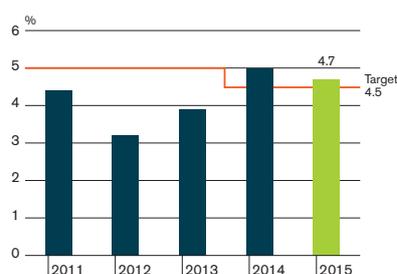
SEKm	2015	2014	%
Net sales	6,078	6,232	–2
Operating profit from continuing operations	1,280	1,254	2
Change in value of forest assets	1,432	1,032	39
Operating profit	2,800	2,418	16
Profit before tax	2,586	2,157	20
Profit for the year	2,017	1,691	19
Cash flow from operating activities	909	769	18

### Net debt/equity ratio, multiple



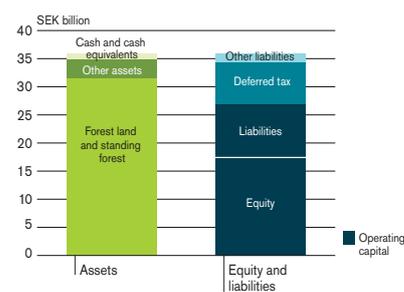
The target was decided by the 2014 Annual General Meeting. The target is a net debt/equity ratio of 0.3–0.6. This metric specifies net interest-bearing liabilities in the company in relation to equity.

### Yield, %



The target was decided by the 2014 Annual General Meeting. Yield is to be an average of at least 4.5% per year. Yield shows return on operating capital where capital gains from property sales and change in value of forest assets are excluded.

### Assets, equity and liabilities



The majority of the assets comprise standing forest which is measured according to international accounting principles.

## Forest assets

### Major values in the forest

The forest is the basis of Sveaskog's operations. The forest is managed in a long-term sustainable manner to ensure that coming generations can also create value through forestry. Nature conservation and biodiversity are central issues in Sveaskog's forest management.

Sveaskog is Sweden's largest forest owner. The company owns 14% of productive forest land in Sweden. To contribute to biodiversity, Sveaskog sets aside 20% of its productive forest land for nature conservation.

The forest that has not been set aside by Sveaskog for nature conservation is managed so as to generate the highest long-term profitability and increased positive climate impact. The forest is planted, cleaned, thinned and regeneration felled. Cleaning is a prioritised activity and in general the company tries to carry out cleaning early in newly planted and young forests.

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.

Sveaskog's nature conservation management for contributing to biodiversity and consideration for nature is described on pages 30–31.

#### Felling lower than growth

Removals from our own forest are the parameter which has the greatest effect on Sveaskog's earnings. Felling levels shall be maximised in the long term. Felling levels are lower than growth in the forest. During the year felling corresponded to 71% (72) of growth on managed land.

For each tree which Sveaskog fells, an average of three new ones are planted. At the same time, the proportion of sowing as a regeneration method continues to rise. When planting, it is important to protect the plants from insect pests. Sveaskog therefore uses Conniflex, an eco-friendly and effective protection against the pine weevil.

In 2015 the company scarified, sowed, planted, cleaned and fertilised 77,375 hectares (65,276) of its own land.

#### Felling on own and others' land

Sveaskog fells both on its own land and on assignment from other forest owners. Felling is carried out by the company's own personnel and machines or by contractors. Sveaskog's own felling organisation consists of some 40 machine teams with a total of 143 operators. Sveaskog cooperates with just over 140 felling contractors throughout the country who together have some 600 employees.

When felling on other's land, the same demands are made on nature consideration as when felling on own land.

#### Method and technology development

Innovation is a prioritised area and the company works continually with method and technology development in forest management. Sveaskog has a key role as manager and regularly tests new technology together with innovators and suppliers as well as universities and colleges.

Cooperation with contractors in silviculture and felling is key to the development of methods and work processes. The aim is to increase efficiency while keeping to Sveaskog's nature conservation rules. Transports to and from the forests are a significant area for ensuring efficient deliveries to customers and reduced environmental impact.

#### Forest purchases and sales

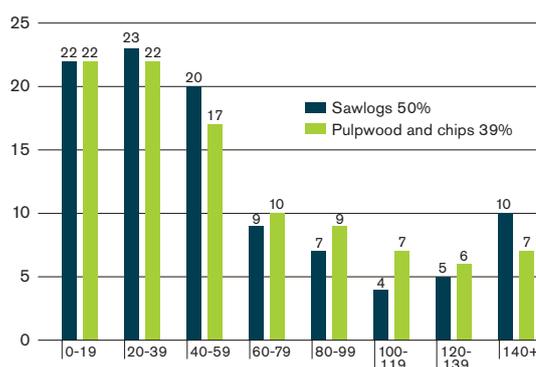
Sveaskog is actively engaged in the purchase, exchange and sale of forest land and is one of the bigger players

#### Sveaskog's forest capital

	2013	2014	2015
Total land area, million ha	4.04	4.04	4.04
- of which productive forest land, million ha	3.12	3.12	3.12
- of which managed, million ha	2.65	2.65	2.65
- of which nature conservation and nature consideration including montane region	0.7	0.7	0.7
Book value according to IAS 41, SEKm	31,531	32,518	34,097
Taxable value, SEKm	55,135	64,196	64,149
Timber extraction as proportion of net growth on managed land, %	66	72	71

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, %



in the market. The aim is to improve land consolidation based on customer structure.

In accordance with a parliamentary decision, Sveaskog must divest 10% of the land area the company had when it was created in 2002. Sales must be made under market terms and aim to strengthen private forestry. During 2015, 9,323 hectares (5,629) were sold. A total of 339,472 hectares or 7.79% has been sold in 2,096 deals.

### Large nature conservation forests

Sveaskog has set aside 600,000 hectares of productive forest land for nature conservation. Of this nature conservation 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. A summary of nature conservation areas and Sveaskog's work to retain and develop natural values can be found on pages 30–31.

Sveaskog sets 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.

All forest holdings including the nature conservation forests can be found on the interactive map on our website [www.sveaskog.se](http://www.sveaskog.se).

### High values in the forest

Sveaskog calculates the value of its forest assets every quarter according to the international accounting standard IAS 41. This value is reported in the financial statements. The calculated fair value of Sveaskog's forest assets has a significant effect on the reported operating profit but does not affect cash flow. Calculations and changes in value as well as assumptions and a sensitivity analysis will be found in Note 15.

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.

The forest assets also provide high indirect values through the forest's contribution to sequestering large amounts of carbon dioxide and silviculture creates jobs in rural areas and smaller towns. Sveaskog's nature conservation work also contributes to biodiversity and higher recreational values.

### Sveaskog's certificates

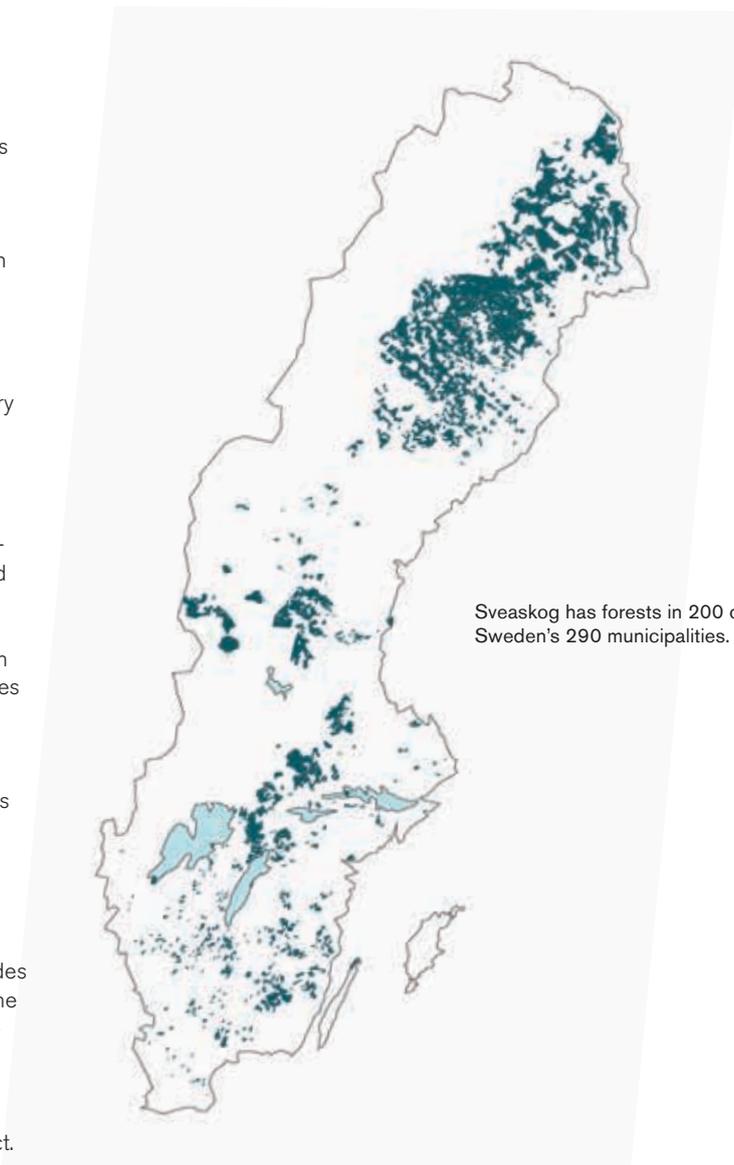
All Sveaskog's forests are FSC® certified, which provides a guarantee that the forest is managed responsibly. The FSC® standard is also applied when felling is commissioned by a third party. For imports the requirement is that the timber must be certified.

Sveaskog also has a FSC® traceability certificate which makes it possible to trace the origin of a product. This helps both consumers and companies to make responsible purchases.

### Sveaskog has the following certificates:

FSC® forestry certificate own forest and group, FSC® traceability certificate, PEFC traceability certificate, PEFC forestry certificate group, ISO 14001 and AEO customs simplification/security and protection. Sveaskog's FSC license number is FSC-C008344.

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.



Sveaskog has forests in 200 of Sweden's 290 municipalities.

# Sawlogs

## Wood growing in importance

Sawlogs are the largest product area measured by sales and second-largest by volume. Sveaskog complements timber from its own forests with purchases of sawlogs from other forest owners. The market was stable during the year and demand for sawlogs is expected to increase in the long term.

Sveaskog has a wide range of sawlogs to satisfy customer requirements for volumes, species, grades and dimensions in an even flow throughout the year. The range includes timber from spruce, pine and various deciduous trees such as beech, oak and birch. Sales can cover everything from standard deliveries to complex customer-specific orders. To meet customer demands Sveaskog can exchange timber with other forest owners or sell less common species such as maple and ash. The company also complements timber from its own forests with bought-in volumes.

Deliveries of sawlogs increased by 2% in 2015 to 4,713 thousand m<sup>3</sup>sub (4,620). Prices were stable during the year but fell at the end of the period.

### Customers

There are some 130 sawmills in Sweden each producing at least 10,000 m<sup>3</sup> annually. Sveaskog supplies about 70 of these. Customers are privately-owned family companies or global groups, often based in Sweden. They deliver in turn to primarily the construction and furniture industries.

To retain its competitive edge, Sveaskog must be a reliable supplier, listen to customers and continually improve. It is therefore essential to have skills along the entire value chain – from seedling to architect's plans and conditions on building sites and in joineries.

Since Sveaskog's value creation together with the sawmill customers begins out in the forest, close cooperation throughout the production chain is key to guaranteeing quality and delivery reliability. The company therefore encourages close and intense contact between machine operators, hauliers, felling foremen and other professional groups. With wise and prudent felling, Sveaskog will be a reliable supplier.

### Market

The market for sawlogs is above all dependent on the state of the construction market. Nearly 70% of Swedish sawn timber is exported, which creates significant dependence on the international construction market and the exchange rate for the Swedish krona.

The four largest export countries for Swedish sawlogs are the UK, Egypt, Germany and Norway. Just under 15% of Swedish exports are to North Africa. The trend is that Europe's proportion of Swedish exports is increasing.

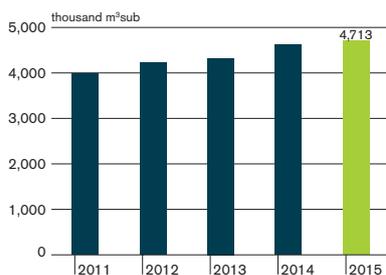
Construction in Europe has been stable during 2015, but at a relatively low level. Construction in the US has certainly increased but this has mainly been apartment blocks which are not built of wood. In North Africa demand increased after a couple of years characterised by economic and political unrest. In China and Japan demand slowed during the year as a result of the weaker economic climate.

### Outlook

The global demand for sawn wood products is expected to rise but probably not to any significant extent in the short term. Construction activity in Europe is falling even if it is rising in Sweden. North Africa and the Middle East are key export markets with significant political and economic instability. In Japan and China development is also uncertain in the short term.

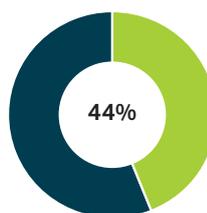
In the longer term Sveaskog believes that demand for sawlogs will increase driven by a desire to build more in wood since wood is a renewable material.

Delivery volumes sawlogs, thousand m<sup>3</sup>sub

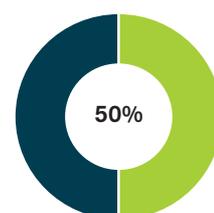


Sveaskog's deliveries of sawlogs increased by 2.0% in 2015 and amounted to 4,713 thousand m<sup>3</sup>sub (4,620).

Share of total delivery volumes



Share of net sales





Wooden frames are also becoming more common in apartment blocks in Sweden.

## Pulpwood and chips

### Brighter future for pulp industry

Pulpwood is the largest product area measured by volume and second-largest by sales. Sveaskog complements timber from its own forests with purchases from other forest owners, imports and purchases of chips from sawmill customers. The Swedish pulp and paper industry has announced significant investments which create a positive demand for pulpwood.

Sveaskog delivers pulpwood to the pulp and paper industry. The company has a wide range of pulpwood which comes both from its own forests and from purchases. The company also buys cellulose chips from its sawmill customers.

The largest volume of pulpwood comes from thinning. Pulpwood also comes from regeneration felling since not all parts of the tree trunks can be used for sawlogs. These are usually trunks that are too thin or have quality defects. Pulpwood must not, however, have rot damage since this affects the quality of the paper pulp.

Deliveries of pulpwood and chips decreased by 1.0% in 2015 and amounted to 5,167 thousand m<sup>3</sup>sub (5,219). Prices were in principle unchanged.

#### Customers

Sveaskog has some 20 pulpwood customers in Sweden who manufacture pulp and paper for packaging, graphic papers and newsprint. Pulp is also used for hygiene products such as nappies, kitchen paper, toilet paper and feminine care products. Pulpwood from Swedish forests has qualities that make it especially good for packaging with high demands such as liquid cartons for milk and juices.

As a result of reduced demand for graphic papers in recent years, the industry has made closures or switched production to packaging material. Despite this the demand for pulpwood has only been marginally affected since the market for, among other things, hygiene products has grown strongly. China, for example, has significantly increased its imports of toilet paper driven by a clear

correlation between personal incomes and use of soft paper.

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 pulp and paper customers. To meet customer demands, it is important for Sveaskog to have an in-depth understanding of the industry's processes and the international end market for its products. Sveaskog develops product logistics together with its customers.

#### Market

About 80% of Swedish pulp is exported, mainly to Europe, followed by Asia. The industry's demand is therefore dependent on the global economic climate and exchange rates.

The export level for Swedish pulp was stable during the year. The trend of increased demand and rising prices for cartonboard products continued. As expected, demand for graphic papers continued to weaken during 2015.

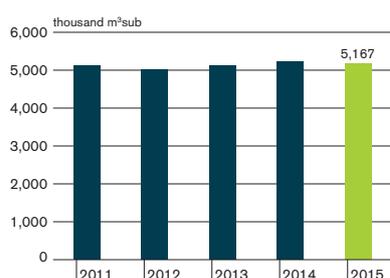
The availability of pulpwood and chips was good.

#### Outlook

Global market forecasts predict continued increased use of packaging and packaging material which will generate increased demand for paper pulp.

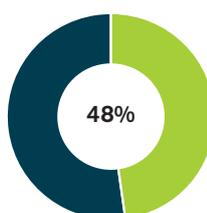
Investments in the Swedish and Finnish pulp and paper industries are increasing. In Sweden alone investments of the order of SEK 17 billion in the next years have been announced. This will create increased demand for pulpwood which is positive for Sveaskog.

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

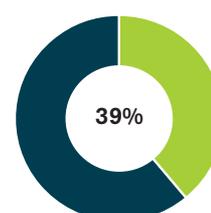


Sveaskog's deliveries of pulpwood and chips decreased by 1.0% in 2015 and amounted to 5,167 thousand m<sup>3</sup>sub (5,219).

Andel av total leveransvolym



Andel av total nettoomsättning





Global demand for cartonboard is increasing strongly driven by improved prosperity.

# Biofuel

## Biofuel a renewable energy source

The market for biofuels has been tough for the last couple of years. Demand has fallen significantly and prices forced down due to competition for other combustible material. In the longer term demand will rise due to increased demand for, among other things, renewable vehicle fuel.

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's deliveries of biofuel decreased by 13.1% in 2015 and amounted to 868 thousand m<sup>3</sup>sub (999).

### Customers

Sveaskog delivers to some 60 customers, primarily heating plants, CHP plants and pulp and paper mills in Sweden.

Examples of biofuel customers are Fortum's CHP plant at Värtan in Stockholm and Falu Energi och Vatten's datacentre. The plant at Värtan is Europe's largest bio-fuelled combined heat and power plant and will be commissioned in 2016. The CHP plant is an important step in the development of sustainable energy provision in Stockholm. The plant is expected to reduce carbon dioxide emissions by 650,000 tonnes annually. This is as much as the traffic on the streets of Stockholm emits in six weeks. The plant will produce both heat and electricity and is fuelled with chips, bark, branches and twigs.

The municipal energy company Falu Energi och Vatten is building the world's first climate-positive datacentre. The electricity for the datacentre comes from renewable energy and biofuel. Sveaskog will meet about 40% of Falu Energi och Vatten's biofuel requirements. The datacentre will be ready in 2016.

### Market

The biofuel market is local since lengthy transports incur increased costs which weaken the competitiveness of biofuel. Sveaskog mainly supplies customers in Sweden.

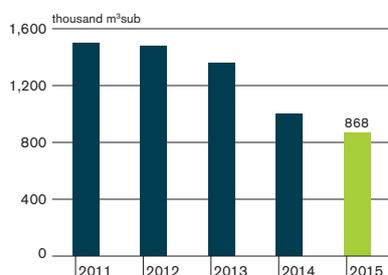
The market for biofuel has been weak since 2013 and Sveaskog's delivery volumes have fallen. The main reason for the weak market is competition from other fuels such as garbage. Power stations and heating plants can be fuelled with in principle anything that will burn. As well as forest biofuel and chips from sawmills, they can use garbage and waste wood.

Other factors that have contributed to weak market development are more efficient production and distribution of energy and low electricity prices. The European pellets market has also been characterised by oversupply and falling prices.

### Outlook

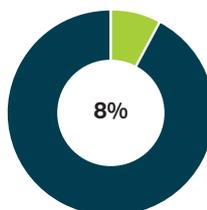
To improve its competitiveness, Sveaskog is focusing on developing production methods, improving efficiency and developing the product range. A brief hike in consumption of biofuel can occur when, for example, the CHP plant in Värtan comes on stream. However, prices are expected to continue to be under pressure in the short term.

Delivery volumes biofuel, thousand m<sup>3</sup>sub

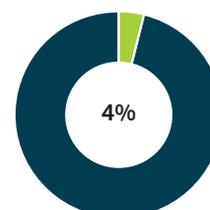


Sveaskog's deliveries of biofuel decreased by 13.1% in 2015 and amounted to 868 thousand m<sup>3</sup>sub (999).

Share of total delivery volumes



Share of net sales





We both heat and cool buildings with biofuel.

## Svenska Skogsplantor, concessions, hunting, fishing and lockage

### Operates Mörrums Kronolaxfiske och the Hjälmare Canal

Sveaskog is more than just forestry and trade in wood raw materials. The company cultivates and sells tree seedlings as well as silvicultural services and leases land for hunting, fishing, wind power, etc. Sveaskog also operates Mörrums Kronolaxfiske (salmon fishery) and the Hjälmare Canal.

#### Svenska Skogsplantor

Sveaskog cultivates and sells tree seedlings under the brand Svenska Skogsplantor. The company is Sweden's largest seedling supplier with approximately 4,000 customers. Svenska Skogsplantor also offer silvicultural services such as soil scarification and planting for external customers.

Operations consist of seven nurseries, a seed processing unit and about 110 seed plantations. During the year sales amounted to 117.6 million plants (107) of which 37% were delivered within the company. The bulk of the range is evergreen seedlings. Svenska Skogsplantor has also successfully worked on breeding seedlings with non-poisonous insecticide and on improving efficiency through technology developments.

Seedling operations were conducted in a wholly-owned subsidiary until the end of March 2015. On 1 April operations as a corporate entity ceased and became a business area within Sveaskog.

#### Concessions – fishing, hunting, wind power, etc.

It is important for Sveaskog to make the forests available for both recreation and business activities. This is achieved through, among other things, various types of concessions. Holders of concessions include companies in the energy and construction industries, tourism, private individuals, associations, municipalities and telecoms companies. At year-end 2015 there was a total of about 7,600 (7,800)

leases and other concessions. Concessions for hunting and fishing dominate. The number of hunting rights amounted to about 3,100 across some 3,000 hunting teams. A total of about 25,000 hunters have the chance to hunt on Sveaskog's land.

Sveaskog is Sweden's largest water owner and makes the lakes available for fishing. At year-end 2015 the company had about 1,500 fishing rights.

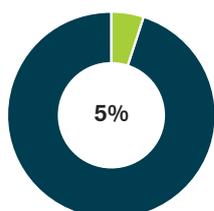
Among other concessions are rental contracts and leases for such things as farming, peat, gravel and rock quarrying as well as wind power. During the year 25 wind power plants (30) were commissioned. To date some 240 wind power plants have been built on Sveaskog's land with an annual production of 1.5 terawatt-hours. Sveaskog strives to lease land to established companies which work on a long-term, targeted basis for the development of wind power.

#### Mörrums Kronolaxfiske and Hjälmare Canal

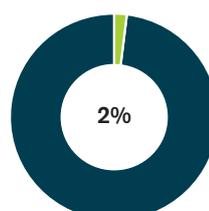
Sveaskog also owns Mörrums Kronolaxfiske (salmon fishery) which was visited by 250,000 tourists during 2015. The Mörrum fishery provides up to 50 jobs.

Hjälmare Kanal AB is owned by Sveaskog. The 14-kilometre long canal was completed in 1639 and is Sweden's oldest navigable canal. It has nine manually-operated locks. A comprehensive restoration of the Hjälmare Canal was finished in 2015.

Svenska Skogsplantor's share of total net sales



Hunting, fishing and other business's share of total net sales



Svenska Skogsplantor is Sweden's leading company within forest regeneration and seedlings. Anders Svensson uses water to remove the wings from seeds at the seed processing unit in Lagan.



## Innovation

### Innovation for the climate

Innovation and development are to a great extent an integrated part of business operations. Sveaskog is active in projects such as the production of plastics and fuel from wood raw materials.

Sveaskog's work with innovation and development projects has a clear focus. The company participates in projects to increase productivity in forestry as well as developing new uses for wood raw material and forest land. Together with customers the company carries out development to maximise the value of wood raw material, especially sawlogs.

Activities to increase the use of wood raw material are intended to enhance Sveaskog's business while contributing to the reduction of greenhouse gas emissions.

The areas that Sveaskog has identified as key to the development of use of wood raw material are timber, fuel, chemicals, mining and steel as well as pulp and paper. Sveaskog participates actively in various research and development projects with universities, colleges, research institutes and other companies. Sveaskog also takes part in company-specific projects which can be aimed at research and development or which have a focus on commercialisation.

To improve awareness of the forest's significance for the climate, Sveaskog arranged a climate seminar in conjunction with the Annual Meeting in April 2015. Speakers from Tetra Pak, Borealis, Preem, Svensk Fjärrvärme and Folkhem agreed that it is possible to affect the climate and that the forest plays a key role. They all also underscored how important the forest is for Swedish and international industry and the environment.

Innovation projects in which Sveaskog participates run for many years. It usually takes at least five years from idea to commercial product. Sveaskog therefore places great importance on risk assessment before any decision on participation is made.

#### Sveaskog's key development areas:

##### TIMBER

The focus is on developing more valuable products and timber value chains for use in interiors as well as construction. This is done by such things as research and knowledge transfer in cooperation with sawmills, wood products companies, sector institutions and knowledge centres.

##### FUEL

Sveaskog believes that wood raw material will play a decisive role in the green transition and transformation to a fossil-free society. Work on developing new technologies and products is prioritised and takes place in close cooperation with players in the forest industry, universities, colleges and other research institutes. In Sweden there are

long-term plans to use wood raw material to produce biodiesel, pyrolysis oil, methanol and ethanol.

In this area there are a number of ongoing different projects for wood-based fuel. These include research projects as well as the development of commercial solutions. Participation in SunPine AB in Piteå, which makes raw tall oil diesel, resin and biooils from tall oil is one example of commercial cooperation in this area.

##### CHEMICALS

Sveaskog has participated in a number of projects to extract chemicals from wood raw material. Sveaskog has among other things participated in the project NÄRODLAD Plast (locally grown plastics) in order to find business models and technology solutions for manufacturing plastics from forest residues. The project has wide support with representatives for the entire value chain such as the consumer products industry and the chemical industry. The challenge for the project is the low price of crude oil which makes it difficult to compete on price with fossil plastics.

##### MINING AND STEEL

The mining and steel industries are big energy users. There is considerable interest in these industries for replacing coal with biofuel. In order to reduce emissions a new method using natural gas has been developed (direct reduction of iron). A project is underway where biogas is used instead of natural gas. Using this new method, the steel industry could reduce its carbon dioxide emissions by 500–1,000 kilogrammes of carbon dioxide per tonne of steel, a reduction of 25–50%. For the forest industry this means that residues that would otherwise go to waste are used. Test results thus far look promising.

##### PULP AND PAPER

In the pulp and paper area Sveaskog works among other things with vehicle fuel solutions and logistics development to optimise deliveries to existing customers. There are also ongoing projects to produce fuel, chemicals and materials from the lignin found in wood and which is a by-product of sulphate pulp mills.

##### ECOSYSTEM SERVICES

Projects around the development of new applications for forest land are among other things about ecosystem services and compensation land. In Sweden, like the rest of the EU, work is in progress for regulation of ecological compensation. When these regulations are in place, Sveaskog expects a growing market.



SunPine in Piteå is among the first in the world to produce green diesel from wood raw material on an industrial scale.

## Employees

### Motivated employees key to success

Sveaskog has many skilled employees who strive to deliver that little bit extra that makes a difference – not just to the bottom line, but for everybody affected by the business: customers, contractors and the communities in which Sveaskog operates.

Sveaskog has 688 full-time employees. During the planting season the company has many part-time employees. The average number of FTEs in 2015 was 851.

The largest personnel categories among full-time employees are 143 machine operators, 96 forest field assistants, 33 nurserymen, 29 timber buyers and 26 felling foremen.

The proportion of women at Sveaskog is 21% which is somewhat higher than the average for the forest industry of 15%. Men dominate senior management as well as the forest machines out in the field.

#### Broaden recruitment base

To create long-term value growth, motivated employees are needed who have different skills and backgrounds. Sveaskog therefore works to increase the proportion of women and diversity in the company.

One of the activities to improve equality is that there must always be a candidate of each gender when positions are being filled. During 2015/2016 all employees will get web-based training in equality. All managers will provide this training for their employees. The training focuses on gender, standards and jargon. The activity is the result of cooperation with Luleå University of Technology which carried out a survey of equality at Sveaskog. The employees consider that equality has improved. The number of female employees who feel that equality has improved has risen to 68% from 53% in 2013 and for men this ratio has risen to 83% from 81%.

As a step to increasing diversity and the recruitment base, during the year Sveaskog invited municipalities, contractors and authorities for discussions around the needs and possibilities Sveaskog has to offer jobs and work experience to new immigrants. The company has for many years offered seasonal work with planting to young unaccompanied refugees. As a result of the discussions during the year the company has decided to increase the number of seasonal jobs for young people by 50 places. Activities have also been arranged for new Swedish citizens as well as new immigrants during the year. To contribute to reduced exclusion and increase the number of potential employees within forestry, Sveaskog will offer 50 work experience places in 2016 through the Swedish Public Employment Service.

#### Give youth a chance

Students on forestry courses are offered summer jobs in the company and pupils from agricultural colleges are offered work experience. Every summer schoolchildren can also work with such things as planting. Youth teams consist of half girls and half boys. Sveaskog participates in

labour market days and offers students the opportunity to do their thesis work in the company. Sveaskog started a trainee programme during 2015. This runs for 18 months and the positions are based in Ljusdal and Uppsala. The trainee programme is important to attract new employees and thus secure the long-term skills supply.

#### Clear management and organisation

Sveaskog's competitive edge depends on motivated and committed employees. This is achieved through, among other things, clear management and organisation with good, value-based leadership. The company has worked for the past two years with leadership development to create a culture with more coaching and feedback. During the year employees have been involved in discussions about Sveaskog's mission and significance. These conversations have resulted in the mission statement "Growing power. For generations".

The response rate in this year's employee survey was high, 86%, which demonstrates a commitment to the company and that employees consider it worthwhile to contribute their views.

A good basis for participation is well-executed performance reviews. These reviews also allow the manager to identify the employees' needs for skills development. Skills supply in prioritised areas is a condition for meeting targets. Skills development through daily transfer of skills and experiences as well as high internal job rotation are key tools.

96% of all employees had a performance review. Through job rotation, 64% of vacant positions were filled by internal applicants during the year. Employee turnover was 5.5%. The average number of training days per employee was 5.4.

A good working environment is an obvious component of running a long-term sustainable business and applies to both employees and contractors. A good working environment is also a key competitive tool. The working environment must be safe and characterised by respect and trust.

#### Improvement of the year

For many years employees have been involved in the internal campaign "Improvement of the year". Employees nominate and vote for "Improvement of the year" in various categories. For 2015 the improvements of the year were a more efficient process for consultation with reindeer herders, forest days for new Swedish citizens, new instructions for felling in areas used extensively for outdoor activities, and customer films about the forest and climate benefits.



Anna Ahlin is a roundwood logistician at Sveaskog and participates in the internal talent programme.

## Contractors

### Same high demands as on ourselves

Contractors carry out assignments in the forest and transports for Sveaskog. They are often small companies that operate locally. They are frequently family-owned and the contractor has only a few forest machines or lorries.

Sveaskog cooperates with over 1,200 contracting companies throughout Sweden. Contractors carry out all assignments in the areas of roads and transports and 95% of assignments in silviculture. Contractors carry out 75% of felling assignments. Together contracting companies employ approximately 1,400 full-time equivalents. During 2015 Sveaskog procured services in these areas for about SEK 2 billion. Sveaskog's forest management thus creates a strong base for local care and development.

Cooperation with contractors has been identified as a strategic area and the aim is to work and develop together with committed and skilled contractors. As part of this the company has worked systematically with selected contractors on method and technology development, among other things. Through this cooperation the contractors' business is also developed to create more value.

#### **Everyone must follow the code of conduct**

In 2015 cooperation was started with a new contractor. All contractors, just like suppliers, must follow Sveaskog's code of conduct and the UN Global Compact's general sustainability requirements. For suppliers, eight out of nine new framework agreement suppliers signed the UN Global Compact's requirements. This means that 52 out of 60 framework agreement suppliers or 88% (89) have signed the requirements. A follow-up with a site visit took place during 2015 at one framework agreement supplier.

Sveaskog has developed a service agreement for all business relations within silvicultural contracting, logistics and plant. In the service agreement the contractor commits to following all laws and regulations. In addition Sveaskog makes a number of specific demands in the service agreement such as the providers' skills and training. It covers aspects such as working environment and environmental consideration.

Sveaskog prefers, among other things, that all certification requirements are met. In 2015 a requirement that all

silvicultural contractors must be PEFC certified was introduced. Providers must also participate in training and start-up meetings arranged by Sveaskog.

Compliance with the service agreement is checked through Sveaskog or a third party making ongoing follow-ups as well as field checks or on-site audits at the contractor. Checks are targeted or made as spot checks.

Sveaskog permits subcontracting at one level only. Only subcontractors approved by Sveaskog may carry out the work. If the contractor has employees from abroad, all regulations, for example current EU and tax legislation, work and residence permits, must be complied with. The contractor must be able to provide valid permits and certificates for all personnel affected.

#### **Mandatory training every year**

The company requires all field personnel within silviculture to undergo the training using Sveaskog's web-based silviculture school each year. The training is followed by an exam and a pass result is needed to be allowed to carry out activities in Sveaskog's forests and at Sveaskog's customers. Affected personnel also receive annual training in Sveaskog's implementation requirements for felling, for example.

#### **Good communication basis for good cooperation**

Sveaskog strives to have good communication with its contractors. A good dialogue is a prerequisite for achieving efficiency, high-quality on-time deliveries and the goals of a nature-conserving management of the forest and reduced carbon dioxide emissions. The dialogue is not just about personal contacts and follow-up. It is equally important to work with common IT tools such as planning and logistics systems.

During 2015 Sveaskog has developed a system to simplify invoice processing for contractors. They have also been given access to IT support to simplify use of the IT-based services that Sveaskog offers.



Tobias Nilzon and Emil Löthgren have received Sveaskog's training for contractors in nature and cultural environmental conservation in order to meet the skills requirements for PEFC certification.

## Biodiversity

### Forest environments for all

Sveaskog's nature conservation work will lead to the forests becoming more varied and species-rich in the future.

Sveaskog has identified biodiversity as a strategically important area. All activities that the company carries out in the forest can affect biodiversity. Sveaskog therefore works with nature protection and habitat management.

Sveaskog's nature conservation covers everything from landscapes to individual forests, trees and tree groups. The company leaves forests untouched and works with habitat management.

All methods aim to retain or develop biodiversity in the forest. Activities are primarily aimed at conserving old natural forests, re-establishing or developing new deciduous forests and saving existing deciduous forests from threatened invasion by spruce. Nature conservation work increases the proportion of old forest and creates forests that are more varied and species-rich.

The largest direct impact on the landscape and biodiversity is made by felling. Sveaskog therefore leaves key environments for flora and fauna untouched. These areas can include edge zones, sensitive biotopes and natural value trees.

Sveaskog also works to avoid hauling damage and has as a target no serious hauling damage when felling. During 2015, among other things, Sveaskog developed a soil humidity map of sensitive areas. This means that haulage routes can be planned prior to the harvesters arriving at the felling site. Good planning and communication with and between contractors is also significant in order to select the best time for felling to minimise hauling damage.

#### Regular follow-up

Working methods are continually developed to ensure that Sveaskog meets its commitments and certifications. Compliance is regularly checked through audits and spot checks. All non-conformances are reported in the environment and quality management system and result in immediate action.

Reported non-conformances can include hauling damage, damage to sensitive biotopes, damage to archaeological or cultural remains, inadequate planning compensated by a machine team, quality of thinning, felled natural value trees, too high stumps and thinned areas.

During 2015 Sveaskog carried out broad field training of machine operators, contractors, planners, etc., on protection of archaeological or cultural remains in the forest. Common remains are cairns, charcoal pits, building foundations and pitfalls. In 2014, surveyors from the Swedish Forest Agency visited nearly 250 felled areas on Sveaskog's land that were scarified. In total the surveyed areas contained 753 cultural environments. The results showed that Sveaskog left 93% of known cultural and archaeological remains without significant damage and 79% with no damage at all.

#### Sveaskog inaugurates its 37th ecopark

Nature protection can take the form of formally protected areas or voluntary set-asides. Sveaskog has chosen to handle 20% of its productive forest land as nature conservation areas. This is achieved in three different ways: ecoparks, nature conservation forests and so-called consideration for nature which is left untouched in production forests.

Ecoparks are large contiguous landscapes with high natural values. How the ecoparks are managed depends on their ecology and roughly half are set aside as nature conservation forests. In autumn 2016 Sveaskog will inaugurate its 37th ecopark. The new ecopark covers 1,300 hectares of forest land between Sala and Virsbo which was destroyed by fire in August 2014. The forest fire in Västmanland was the biggest to have occurred in modern times. As well as the personal tragedies resulting from the fire, considerable economic values were lost. From a nature conservation viewpoint a forest fire on this scale is a unique event. A forest fire favours or is even essential for hundreds of species of insects, fungi, lichens and herbs. By creating an ecopark, the survival of fire-favoured and fire-dependent species in the entire central Sweden forest region was ensured.

Sveaskog sets aside those forests that have the highest natural values as nature conservation forests. Most of Sveaskog's nature conservation forests in the northern part of Sweden are left to develop freely. Further south, extensive management is used to restore or reinforce natural values. If the company discovers new forest worthy of protection, it exchanges this for forest with lower natural values.

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

#### Cooperation with reindeer herders

Prior to felling, Sveaskog consults reindeer herders and makes husbandry plans. In 2016 models will be developed to produce and display management plans per Sami village. The management plans will be tested and evaluated at several Sami villages.

#### The forests will change

Sveaskog's work with improving its forest management will result in the forests looking different in the future. The five changes Sveaskog has identified are:

- **MORE MIXED FOREST**

Swedish productive forest land is dominated today by conifers but amount of deciduous dominated forest is

increasing. Large mixed forests result in better resistance to pests, bigger recreation and experience values and better conditions for avian species.

• MORE BIG TREES

Today's areas of consideration and set-asides of productive forest will result in additional older, large trees.

• MORE DEADWOOD

Today there are fallen tree trunks and other deadwood in the forests. Many species are dependent on fallen trunks and enjoy better habitats when more wood is left in the forests.

• GREATER VIABILITY

Today a large number of species are threatened with extinction in Sweden, including the white-backed woodpecker. Action to conserve and recreate the habitats of these species improves the possibility of more viable populations.

• MORE FISH IN THE STREAMS

Greater consideration when felling around lakes and watercourses retains the water quality. When vegetation is left in the edge zone there is an increase in richness of species and production of fish.

**Environmental responsibility**

Sveaskog's main environmental risks can be attributed to various historical operations by companies in the group. Some of these earlier operations have caused contamination of land and water on properties which the group owns or has owned. The company can have a responsibility to clean up these areas.

**Sveaskog's work to retain and develop natural values**

**Nature conservation areas below the montane forest region which constitute 20% of Sveaskog's productive forest land:**

Definition	Status 31 Dec 2015	Size	3rd party measurement	Cooperation
36 ecoparks	36 ecoparks inaugurated. Ecopark agreements with the Swedish Forest Agency are in place for 34 of these ecoparks. The 37th ecopark will be inaugurated in autumn 2016 in the fire-ravaged area of Västmanland	80,000 ha. The ecoparks cover a total area of 145,000 ha below the montane forest region*	Swedish Forest Agency, County Administrative Board	50-year agreement with the Swedish Forest Agency, WWF
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, 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, FSC® audit	Method development with the Swedish Forest Agency

**Nature conservation in montane forest region**

Definition	Status 31 Dec 2015	Size	3rd 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 the Swedish Forest Agency

**Restoration**

Definition	Status 31 Dec 2015	Size	3rd 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.

## Climate effects

### The forest is important for a fossil-free society

The forest is a fantastic resource for binding carbon dioxide. The Swedish forest binds twice as much carbon dioxide as Sweden's total carbon dioxide emissions. In addition, the wood from the forest is a renewable raw material. The forest is important for counteracting climate change and creating a fossil-free society.

Sveaskog has identified climate effects as a strategically important area. Climate change creates both threats and opportunities for a forest owner such as Sveaskog. The threat is that weather and temperature changes will damage the forest. The opportunities consist of renewable fuels from the forest becoming a key part of the transition to a fossil-free society and that demand for wood is increasing. Sveaskog is actively working to address both threats and opportunities.

#### Manage the forest using sustainable methods

Sveaskog works with a planning horizon of 100 years to ensure that removal levels are sustainable over several future generations. Silviculture with planting, cleaning and thinning is carried out on a long-term basis. By managing the forest responsibly the positive climate impact increases with the increased sequestration of carbon dioxide.

The company is preparing forest management for unwanted future climate effects such as storms and a warmer climate. These preparations include adapting the tree stocks to the future conditions for a stand, adapting cleaning and thinning, developing propagation in unfavourable conditions and continued work with developing seeds and plant material.

#### Increase use of wood

Sveaskog participates in various development and innovation projects and lobbies for the increased use of wood. In the near future it will be possible to produce fuel, chemicals, plastics and textiles from renewable wood raw material.

The company also sees great potential in using existing products in a new way. Some examples are the possibility of increasing the amount of wood in new buildings and constructing taller buildings of wood. One initiative is cooperation with Luleå University of Technology aimed at enabling the construction of 22-storey buildings of wood.

About 10% of apartment blocks were built with timber frames in 2013. Sveaskog believes this proportion will increase for several reasons: Wood is the only renewable building material, wood is lightweight and strong with good thermal insulation properties, building times can be halved and carbon dioxide emissions from the building process are reduced.

#### Contribute to the green transition

The company contributes to the development of forest-based biofuels and vehicle fuel. One example is participation in SunPine AB in Piteå which makes raw tall oil diesel, resin and biooils from tall oil. SunPine started

operations in 2010 and has become one of Piteå's largest companies. The raw material is a by-product of paper pulp production. SunPine contributes to reducing emissions of carbon dioxide in Sweden by about 250,000 tonnes annually. Other co-owners in SunPine are Kiram, Preem, Lawter and Södra.

Sveaskog also contributes to the green transition by leasing land for wind power.

#### Reduce own emissions of carbon dioxide

Sveaskog's own carbon dioxide emissions arise mainly from timber transport by road. Sveaskog has about 290,000 lorry journeys annually or 795 per day. Each journey is on average 100 kilometres which means that Sveaskog's road transports cover two trips round the globe each day.

The company's own emissions from burning fossil fuels are being reduced by using renewable fuels, climate-smart transport solutions, improved load factors and ecodriving training for machine operators and lorry drivers.

During the next few years the focus will be on increasing the proportion of renewable fuels for transports and felling. The use of ecofuel made from slaughterhouse waste for heavier transports will increase. This is a key contribution to Sveaskog's target of reducing carbon dioxide emissions by 30% by 2020.

Smart logistics make transports more efficient and reduce emissions. For Sveaskog this means among other things increasing the proportion of backhauls and moving long road transports to rail. However, there is often no train that can be used and so the company is contributing to the development of lorries that can take greater volumes.

Sveaskog's carbon footprint including contractors and hauliers			
Tonnes carbon dioxide	2013	2014	2015
Forestry and felling	41,000	50,000	56,000
Transports	81,000	84,000	69,000
Road building	10,000	13,000	16,000
Electricity and heating	5,000	5,000	4,000
Travel	1,000	1,000	1,000
<b>Total carbon dioxide footprint</b>	<b>138,000</b>	<b>153,000</b>	<b>146,000</b>
The forest's uptake of carbon dioxide	2,000,000	2,000,000	2,000,000
<b>Net uptake of carbon dioxide</b>	<b>1,862,000</b>	<b>1,847,000</b>	<b>1,854,000</b>

Since 2014 both production and distribution of fuel are included in the emission calculations which means that the carbon dioxide emissions increased.

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.

# Risk and sensitivity analysis

## Major spread of risks

One important aspect for creation of long-term values is to understand and be able to manage the risks that exist in operations. The entire company is involved in risk management and this is part of business planning. Significant risks are reported in the system for operational monitoring and planning.

Since the forest is regularly felled and replanted, 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 forest holdings are spread throughout Sweden which evens out weather risks and biological risks. The forests are also insured against major extra costs via direct insurance and in the reinsurance markets.

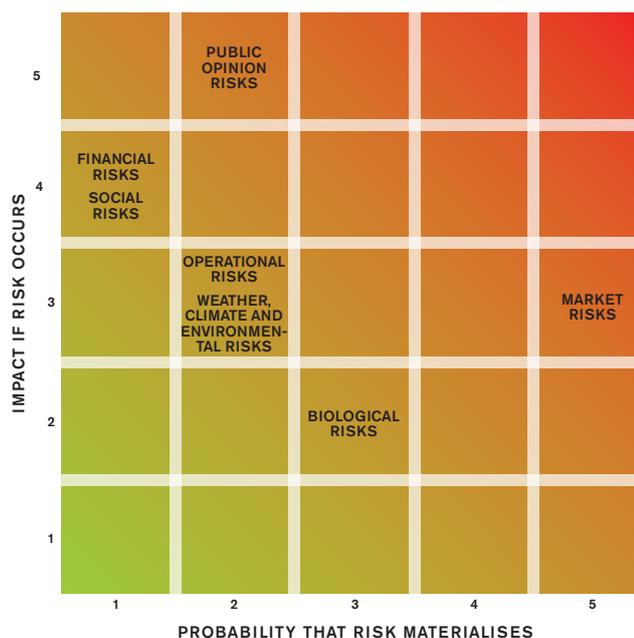
Sveaskog works to develop new products and businesses such as biofuel and ecosystem services. The company also increases revenues from the forest by granting leases for hunting, fishing, eco-tourism and wind power. These activities provide a broader income base but can also involve risks.

### Responsibility

Sveaskog' Board is responsible for the company managing risks correctly and ensuring compliance with adopted principles for financial reporting and internal control. The CEO has overall operational responsibility and has delegated to the CFO to conduct the risk management process. Operational responsibility rests with each profit unit and staffs and is following up at management level.

### Risk management process at Sveaskog

Risk management is an integrated part of annual business planning in the company and includes both profit units and staffs. All significant risks are identified, reported and compiled in the company's system for operational monitoring and planning. Reporting includes a description of the risk and actions taken as well as who is responsible. Each risk is assigned an evaluation of probability and consequence on a five-point scale. The result of this



evaluation provides the total risk value as illustrated in the above risk matrix.

The identified risks are evaluated and prioritised on the basis of the total risk value. 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, an assessment is made of whether it was sufficient to manage the risk concerned and the benefits of the action. The system for monitoring and reporting provides support for follow-up throughout the entire financial year.

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



## Biological risks

	RISK		MANAGEMENT
Spruce bark beetle	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.	▶	Fast processing of storm-felled timber and recently attacked standing trees.
Shortage of spruce seeds	Problems with spruce cone rust continue. Flowering has been absent for several years. Shortage of processed seed in Norrland can result in growth losses.	▶	Collection of stand seeds and/or external purchases.
Root rot	Value of standing forests decreases, trees die.	▶	Prevent attacks by treating stumps during felling with spores.
New pests established	If, for example the nun moth, the mountain pine beetle or other pests become established in Sweden, large-scale destruction could result.	▶	Monitoring.
Game grazing damage	Game which graze on trees and seedlings reduce forest growth.	▶	Hunting, measures to increase access to feed, increased knowledge of game populations.

Game grazing damage is a fact and amounts to approximately SEK 250 million per year on Sveaskog's land. An increase of 10% affects operating profit from continuing operations by SEK 25–50 million.

## Financial risks

	RISK		MANAGEMENT
Financing risk	Assets are partly financed by external loans. This constitutes a risk if a large borrowing requirement arises in a tight credit market.	▶	A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing.
Interest rate risk	The risk that Sveaskog is exposed to a disadvantageous interest rate situation with a large loan portfolio.	▶	Sveaskog's policy is an average fixed interest term on the loan portfolio of 12–48 months.
Credit risk	The risk that a counterparty is unable to fulfil obligations.	▶	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. Regular credit committee meetings and information to the Board.

Sveaskog's financial risks are described in detail in Note 28.

## Operational and legal risks

	RISK		MANAGEMENT
Loss of FSC® certification	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.	▶	Documented routines and work processes in all parts of the business, internal and external audits as well as training for continual improvements.
Forest management impact of various EU directives	The impact of various EU directives (at present primarily the Habitats Directive) on forest management as well as uncertainty in interpretation by national authorities.	▶	Follow and be present and influence the debate. Note interpretations made.
Urbanisation	Sveaskog's operations are represented in rural areas to a considerable extent. Urbanisation makes it difficult to recruit new labour and restricts access to contractors.	▶	Profiling of Sveaskog as an attractive employer. Cooperation with educational programmes. Working to achieve a functioning supplier market with healthy competition. Increased integration initiatives.
Impact of political decisions	National and EU directives, interpretations from authorities and their impact on forest management.	▶	Follow, participate in and influence debate. Monitor interpretations.
IT related risks	Interruptions, computer hacking, virus attacks.	▶	High IT security and reliable backup routines. Information and training.

Market risks		
	RISK	MANAGEMENT
Sawmill industry	At times poor profitability leads to sawmill closures and credit losses for Sveaskog. Restructuring may lead to fewer customers in local areas for Sveaskog's forest holdings.	Active selection of customers and credit insurance. Priority given to cooperation with customers with long-term survival and profitability potential. Prioritise product development and innovation.
Pulp and paper industry	A few, dominant companies means a lack of competition and few alternative business and marketing opportunities. Expand market and customer capital. More efficient logistics and increased exports. Biofuel increases market outlets. Prioritise product development and innovation.	To increase market and customer capital. More efficient logistics and increased exports. Biofuel increases market outlets. Prioritise product development and innovation.
Energy sector	Increased competition from substitutes and low energy prices lead to limited market outlets. Elimination of companies and customers within Sveaskog's traditional markets.	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.

A change in the average price of wood raw material from own forests of 10% affects operating profit from continuing operations by approximately SEK 300 million. A change in delivery volume from own forests of an average of 10% affects operating profit from continuing operations by approximately SEK 200 million.

Weather, climate and environmental risks		
	RISK	MANAGEMENT
Climate change	Changed climate can increase the risk of storms, cause changes in precipitation, worsen forcing conditions and change vegetation boundaries.	Tract adaptation, adapted thinning and clearing, developed forcing in poor conditions and work with processed seed and seedling material. Insurance.
Storm felling	Direct economic loss through lower operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage from bark beetle.	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 land	Responsibility for contaminated land from earlier possible pollutants.	Inventory, strategy and action plan for management and ongoing operations and possible treatment.

In 2005 the storm Gudrun caused gross damage of SEK 750 million. Given today's insurance cover, a similar damage would affect operating profit from continuing operations by approximately SEK 450 million. Sveaskog's insurance cover is described in detail in Note 28.

Social risks		
	RISK	MANAGEMENT
Timber imports from undesirable origins	Purchases from, for example, Russia and the Baltic countries can present risks linked to illegal felling, corruption and labour law.	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	Contractors which fail to meet commitments can constitute a risk linked to working environment, health, safety and labour law.	Code of conduct, guidelines for procurement of contractors as well as follow-up and control of compliance reduce risks.
Corruption	Unclear guidelines and routines lead to a risk of bribes, bribery and corruption.	Continuous training and dialogue, code of conduct, clear guidelines, internal control, possibility to report violations anonymously.

Public opinion risks		
	RISK	MANAGEMENT
Opinions about the forest	Opinions about the use of the forest which restrict forestry can affect profitability and the value of forest land.	Active in the forest debate.
Reduced confidence	The brand and confidence in the company can be affected and thus customer relations and cooperation.	Code of conduct, internal routines, active information work and ongoing dialogue with stakeholders.

## Dividend and profit distribution

The Board of Directors proposes to the Annual General Meeting a total dividend for 2015 of SEK 800 million, which corresponds to SEK 6.76 (6.76) per share.

Proposed profit distribution, SEK  
Unappropriated profit available to  
the Annual General Meeting:

Profit brought forward	9,920,090,875
Profit for the year	3,202,564
Total	9,923,293,439

The Board proposes that profit  
be distributed as follows:

Dividend to shareholder	800,000,000
Carried forward to new account	9,123,293,439
Total	9,923,293,439

**Following the Board's dividend proposal, the Board of Sveaskog AB (publ) hereby makes the following statement pursuant to Chapter 18 Section 4 of the Swedish Companies Act.**

Sveaskog ABs (publ) profit brought forward from the previous year amounts to SEK 10,720,090,875. Together with profit for the year of SEK 3,202,564 and dividend of SEK 800,000,000 unrestricted equity in the Parent Company amounts to SEK 9,923,293,439.

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of the Group's 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 implementation of the Group's strategic and investment requirements.

The Board proposes to the Annual General Meeting that the total dividend for 2015 be SEK 800,000,000, corresponding to SEK 6.76 per share. The dividend, which comprises 89% of the dividend base, is proposed to take the form of a cash distribution.

Provided the 2016 Annual General Meeting resolves in accordance with the Board's proposed profit distribution, SEK 9,123,293,439 will be carried forward to new account. Full coverage exists for the company's restricted equity after the proposed distribution of profit.

The nature and scope of the company's operations are

specified in the Articles of Association and the published Annual Report. The operations conducted in the company and the Group do not entail risks in addition to those that exist or can be assumed to exist in the industry or risks inherent in conducting business activities. The company's and the Group's dependence on business cycles do not differ from those otherwise occurring in the industry. The Board's opinion is that after the proposed distribution of profit the company will have sufficient restricted equity in relation to the size of its operations.

The Board has taken into account the company's consolidation needs through a comprehensive assessment of the company's financial position and ability to meet its commitments over time. The company's financial situation is disclosed in the Annual Report. Here it is disclosed that the Group's net debt/equity ratio is 0.41. Sveaskog's adopted target for the net debt/equity ratio is 0.3–0.6. The Group's financial position is therefore strong.

The proposed dividend does not jeopardise the company's ability to make any necessary investments. The company has financial resources to meet unexpected events and temporary variations in payment flows to a reasonable extent. The company's financial position does not give rise to any assessment other than that the company is able to continue its operations and that the company is expected to meet its commitments in the short and long term.

The Board has taken into account the position of the Group and the company in other respects. The Board has therefore taken into account known circumstances that might be significant for the company's financial position and which have not been taken into account within the framework of the assessment of the company's consolidation requirements and liquidity. Among such circumstances taken into account by the Board can be noted such events and circumstances about which the company has provided information in the Administration Report, including those attributable to the period after the 2015 financial year was taken into account.

With reference to the above, the Board is of the opinion that the dividend is justifiable in view of the demands that the nature, scope and risks of operations place on the size of the company's and the Group's equity, as well as the consolidation requirements, liquidity and position in general of the company and the Group.

# 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.

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 state-owned companies, Sveaskog has deviated from the Code in three instances:

- Preparation of decision on nomination of the Board and auditors, which means that Sveaskog has not appointed a nomination committee.
- 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.
- Date and location of the Annual General Meeting shall be stated on the company's website in conjunction with the interim report for the third quarter. Here Sveaskog has chosen to comply with Nasdaq Stockholm's rules for issuers and therefore provided details of the planned date of the Annual General Meeting in the year-end report.

## 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 23 April 2015 in Stockholm. The 2016 Annual General Meeting will be held on 26 April 2016. More information about the 2016 Annual General Meeting is provided on page 84 in Sveaskog's Annual Report with Sustainability Report 2015 (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.

In addition to the Annual General Meeting, an Extraordinary General Meeting was held on 16 June 2015 in Stockholm, due to Göran Persson having relinquished his place on the Board. At the Extraordinary General Meeting, Helene Biström was elected as Chairman of the Board.

## 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

Seven Board members were elected at the Annual General Meeting. Following new election of Helene Biström as Chairman, the Board consists of six members of whom four are women and two are men. The Board also has two employees representatives and two deputies for them.

## 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 2015, including two strategy meetings. In addition to processing standing items on the agenda, the Board made the following decisions: (i) to change the discount rate used in fair value measurement of standing timber, (ii) to acquire a large forest property in Katrineholm, (iii) to sell all shares in Sågedet Fastighetsbolag and therefore the sawmill in Seskarö in Haparanda municipality, (iv) the company shall participate in a joint communications initiative for the forest industry and (v) invest in a new IT system for planning and control of timber flows. The Board also received presentations of the company's risk map, the follow-up performed of the company's entertainment, an account of the company's environmental risks and the work being conducted within environmental issues as well as an account of the company's integration initiatives.

On 1 April 2015 Svenska Skogsplanter AB ceased to be a separate legal entity and these operations are conducted within Sveaskog Förvaltning AB.

### 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. Until the Annual General Meeting the Remuneration Committee consisted of Göran Persson (Chairman) and Mats Ringesten. After the Annual General Meeting the committee members were Göran Persson (Chairman) and Helene Biström. After the Extraordinary General Meeting the Remuneration Committee consisted of Helene Biström (Chairman) and Eva Färnstrand.

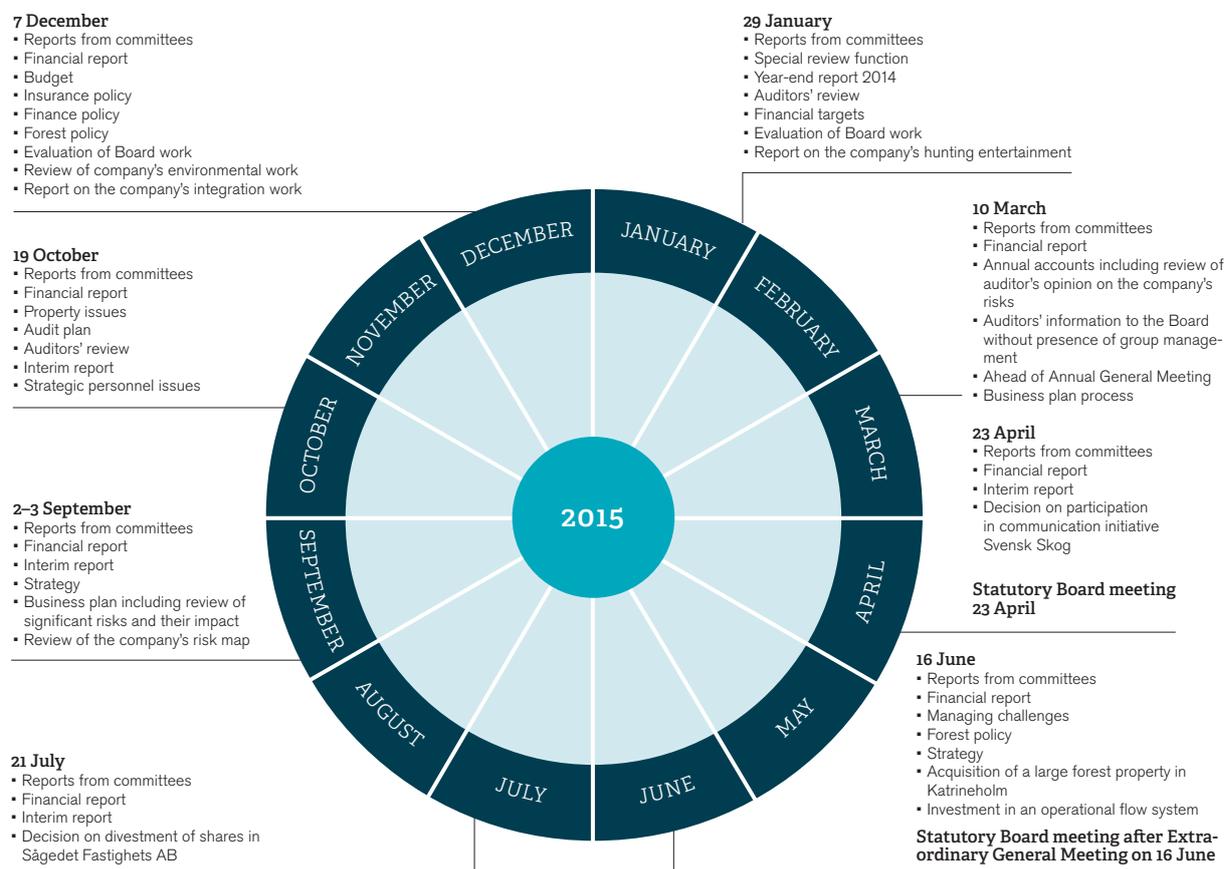
### Property Committee

Prepares issues relating to property acquisition, management and divestment. Until the Annual General Meeting the Property Committee consisted of Göran Persson (Chairman), Birgitta Johansson-Hedberg and Eva-Lisa Lindvall. After the Annual General Meeting, Eva-Lisa Lindvall was replaced by Sofia Gilliusson. After the Extraordinary General Meeting the Property Committee consisted of Helene Biström (Chairman), Johan Hallberg, Birgitta Johansson-Hedberg and Sofia Gilliusson.

### 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

## Board meetings 2015



internal control activities and approach to the company's risks. During the year the Audit Committee consisted of Anna-Stina Nordmark Nilsson (Chairman), Johan Hallberg and Sture Persson.

At the beginning of the year, the committee worked with procurement of auditors. At the Annual General Meeting the audit firm Deloitte AB was elected as new auditors with Hans Warén as auditor in charge.

### 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 2015, remuneration to the Board totalled SEK 1,255,365. 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.

### CORPORATE STRUCTURE

Sveaskog's forestry operations with forestry and sales are organised in three geographical market areas as well as Svenska Skogsplantor. 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. A new market area manager for the Central market area was appointed on 1 March 2015. A reorganisation was announced in the autumn which means that the group staffs for communications and HR will be merged into a single unit in February 2016.

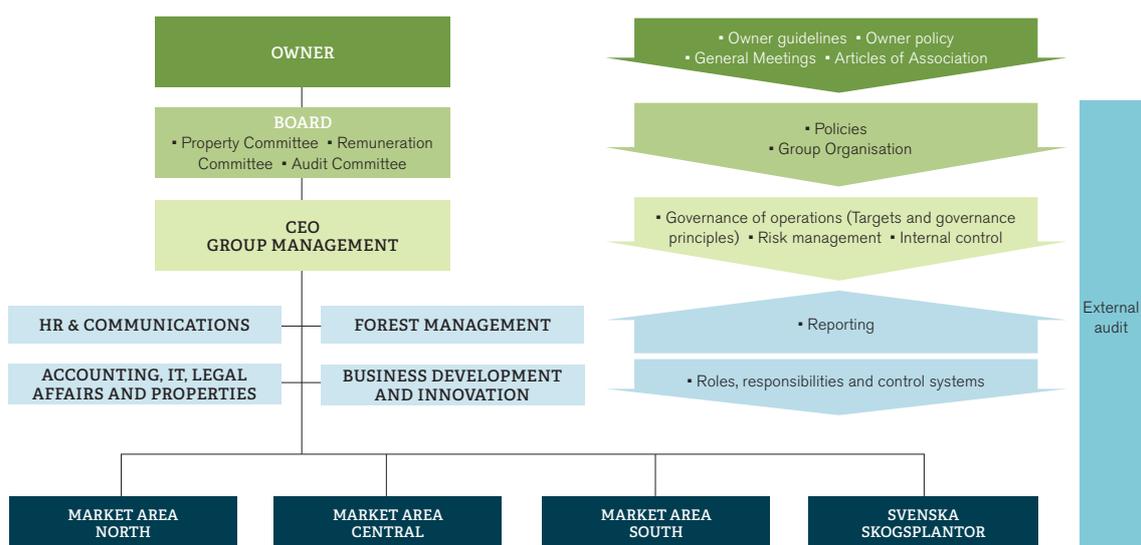
### SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH FINANCIAL REPORTING

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. Internal control 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. Control shall also include external financial reporting and that this is prepared in accordance with legislation, applicable accounting standards and other requirements on a limited company.

### Framework for internal control

A description of how internal control is organised in relation to financial reporting is provided below.

## Organisation and governance



### **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.

### **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**

Monitoring is regulated in the Board's formal work plan and 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 six of the audit committee's eight meetings. Remuneration to auditors is specified in Note 6 of the Annual Report (in Swedish).

### **SUSTAINABLE BUSINESS**

Sveaskog has an integrated sustainability perspective throughout its operations. Sveaskog's objectives for sustainable business are broken down into operational targets which are regularly monitored. This work is supported by a number of policies and guidelines which are available on Sveaskog's intranet and website.

The Deputy CEO who is also the CFO has overall responsibility for sustainability issues and operational responsibility rests with managers in the line organisation. Sustainability initiatives are monitored on an ongoing basis both internally and externally. The CFO and CEO have regular business follow-ups with the market areas and Svenska Skogsplantor. The Board submits the sustainability report and the audit committee prepared work with the report.

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. There is also an annual follow-up of framework agreements with external suppliers.

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.

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

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

Sveaskog's values:

- Customer focus
- Innovation
- Simplicity
- Transparency

**The values cover:**

• **How Sveaskog conducts business**

Employees must be professional and understand customer needs, take initiatives and be innovative.

• **How employees should act at 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 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 whistle-blower function is available on the website and provides guaranteed anonymity. Since the end of 2015 this function has been external which means that the information is managed and investigated by an external party. No notifications were received during 2015.

Under the leadership of lawyers and HR specialists, regular meetings are held in the different profit areas where questions about the code of conduct, entertainment guidelines and other ethical issues are discussed.

**If you wish to read more:**

State ownership policy  
[www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/](http://www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/)

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/)

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

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

Nasdaq Stockholm's rules for issuers  
[http://www.nasdaqomx.com/digitalAssets/100/100963\\_nasdaq-stockholms-regelverk-f-r-emittenter---2016-01-01.pdf](http://www.nasdaqomx.com/digitalAssets/100/100963_nasdaq-stockholms-regelverk-f-r-emittenter---2016-01-01.pdf)

## Board of Directors

					
	Helene Biström	Eva Färnstrand	Thomas Hahn	Johan Hallberg	Birgitta Johansson-Hedberg
Education	MSc.Eng	MSc.Eng	PhD Agronomics	MSc.Econ	BA, Psychology Degree
Elected	2014	2008	2007	2012	2001
Born	1962	1951	1964	1974	1947
Position	Chairman	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	Ordförande Cramo Oyj, Board member of KTH and Pöyry PLC	Chairman of Infranord AB and Inlandsinnovation AB. Board member of Indutrade AB. 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 Lernia AB and SOS Alarm Sverige AB	Chairman of Almi Stockholm Sörmland and Svenska Linnésällskapet. Deputy Chairman of Resolutionsdelegationen. Board member of Copenhagen Economics, Sankt Lukas and Vittec AB
Previous experience	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. Chairman of Economists for the Environment. Involved in The Millennium Ecosystem Assessment and Inter-governmental Platform for Biodiversity and Ecosystem Services (IPBES)	Investment banker HSBC Investment Bank, Stockholm Corporate Finance, Lenner & Partners. Chairman Teracom Group AB, Springwell Group AB, Oak Capital AB. Board member of Metria AB, Arbetslivsresurs AR AB, Teracom Boxer Group AB and Infranord AB	President and CEO of FöreningsSparbanken and Lantmännen
Board meetings Attendance	10 of 10	9 of 10	10 of 10	10 of 10	10 of 10
Remuneration Committee Attendance	Chairman 1 of 1	-	-	-	-
Audit Committee Attendance	-	-	-	Member 8 of 8	-
Property Committee Attendance	Chairman 2 of 2	-	-	Member 2 of 2	Member 5 of 5
Remuneration 2015, SEK Board Committee	285,417 26,889	150,000	150,000	-	150,000 40,000

### Board members who resigned 2015:

Göran Persson (resigned 16 June): attendance at Board meetings (Chairman) 5 of 5, attendance at Remuneration Committee (Chairman) 2 of 2, attendance at Property Committee (Chairman) 3 of 3. Total remuneration SEK 207,432.

Mats G Ringesten (resigned 23 April): attendance at Board meetings 3 of 3, attendance at Remuneration Committee 1 of 1. Total remuneration SEK 50,222.

### Employee representatives who resigned ahead of 2015 Annual General Meeting:

Per Eriksson, appointed deputy by Akademikerföreningen: attendance at Board meetings 3 of 3.

Eva-Lisa Lindvall, appointed by Association of Managerial and Professional Staff: attendance at Board meetings 2 of 3.

					
	<b>Anna-Stina Nordmark Nilsson</b>	<b>Sofia Gilliusson</b>	<b>Sture Persson</b>	<b>Thomas Esbjörnsson</b>	<b>Lars Djerf</b>
Education	BSc.Econ				
Elected	2006	2015	2003	2015	2010
Born	1956	1973	1957	1962	1966
Position	Board member	Employee representative, appointed by SI/Naturvetarna	Employee representative appointed by the Swedish Forest and Wood Trade union. Harvester operator	Employee representative, appointed by Association of Managerial and Professional Staff. Logistician	Employee representative appointed by the Swedish Forest and Wood Trade Union. Harvester operator
Other assignments	Deputy Chairman of Svenska Kraftnät. Board member of Dedicare AB, PartnerInvest AB, Swedish Academy of Board Directors				
Previous experience	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				
Board meetings Attendance	10 of 10	6 of 7	10 of 10	7 of 7	7 of 10
Remuneration Committee Attendance	–	–	–	–	–
Audit Committee Attendance	Chairman 8 of 8	–	Member 8 of 8	–	–
Property Committee Attendance	–	Member 3 of 3	–	–	–
Remuneration 2015, SEK Board Committee	150,000 40,000	–	–	–	–

## Auditors

Audit firm Deloitte AB with Hans Warén, born 1964, as auditor in charge. Deloitte AB has address Rehnsgatan 11, SE-113 79 Stockholm.

## Group Management

							
<b>Per-Olof Wedin</b>	<b>Per Matses</b>	<b>Nina Arkeberg</b>	<b>Viveka Beckeman</b>	<b>Eva Karlsson Berg</b>	<b>Fredrik Klang</b>	<b>Tommy Nilsson</b>	
<b>Position</b>	President and CEO	Deputy CEO, CFO	PA to the CEO, co-opted member of Group Mgmt	SVP Legal Affairs and Property	SVP Central Market Area (from March 2015)	SVP South Market Area	SVP North Market Area
<b>Education</b>	MSc.Eng	MBA	MSc Business Administration & Management	LLB	MSc.Eng	MSc Forestry and PhD from SLU	MSc Forestry
<b>Born</b>	1955	1958	1967	1971	1959	1970	1954
<b>Employed</b>	2011	2010	2011	2012	2015	2000	1999
<b>Assumed current position</b>	2011	2010	2011	2012	2015	2012	2012
<b>Previous experience and other assignments</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 Other assignments: Board member of Setra Group AB	Executive Vice President and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank and Finance Director at Posten Other assignments: Board member of Setra Group AB	PA to CEO of Svevia and Grycksbo Pappersbruk	General Counsel Aditro Holding, lawyer at Advokatfirman Vinge, Clerk at the Court of Appeal, law clerk at Helsingborg District Court Other assignments: Deputy Chairman of SunPine AB	Managerial positions within Stora Enso past 20 years	Regional Manager Sveaskog Götaland, District Manager and Head of Silviculture, AssiDomän Forestry.	Forest Manager at Domänverket (the Swedish Forestry Service), Account Executive at Assi-Domän, Market Area Manager at Sveaskog Other assignments: Board member of Shorelink and Effektivare Skogsbränsle System

			
<b>Lena Sammeli-Johansson</b>	<b>Inger Thorén Emilsson</b>	<b>Jan Wintzell</b>	
<b>Position</b>	SVP Svenska Skogsplantor	SVP HR and Communications (fr Feb 2016)	SVP Business Development & Innovation
<b>Education</b>	MSc Forestry	BA HR and Psychology	MSc Forestry
<b>Born</b>	1959	1965	1961
<b>Employed</b>	1985	2016	2013
<b>Assumed current position</b>	2005	2016	2013
<b>Previous experience and other assignments</b>	Nursery Manager, Regional Manager, Marketing Manager at Svenska Skogsplantor Other assignments: Chairman of the Committee for Seedling Protection in Forestry and the Swedish Forest Nursery Association.	Leading positions at TeliaSonera, Stora Enso and Akademiska sjukhuset in Uppsala	Leading positions at Pöyry Management Consulting

			
<b>Linda Andersson</b>	<b>Karin Ericsson</b>	<b>Herman Sundqvist</b>	
<b>Position</b>	SVP Communications	SVP HR	SVP Forestry
<b>Education</b>	BA Communications Science	BSc Sociology	MSc Forestry and PhD, SLU
<b>Born</b>	1971	1956	1963
<b>Employed</b>	2004	2001	1994
<b>Assumed current position</b>	2004	2001	2008
<b>Previous experience and other assignments</b>	Partner and communications consultant Gullers Grupp, MR Manager at Posten, MR Officer at Vattenfall Member of the Swedish Forest Industry Federation's Communications Council	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	Forest Strategy Manager at Sveaskog, Silvicultural Manager at AssiDomän Forestry Other assignments: Chairman of Skogforsk, Chairman of Swedish Forestry Association, Member of the Board of KSLA, the Forestry Industry's Forest Committee and Swe Tree Technologies
<b>Member of Group Management through February 2016</b>			

Älvsbacka Strand in Skellefteå comprises three six-storey buildings, built mainly of wood, where each building contains 18 apartments.



## Note S1 | 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 2015 sustainability report, which comprises pages 6–11, 28–32, 76–80 in Sveaskog's Annual Report with Sustainability Report 2015 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 Deloitte AB. GRI guidelines are implemented in internal work with sustainability issues and the information in the indicators meets GRI's criteria in the indicator protocol. The Board's signature of the 2015 Sustainability Report and the Auditors' limited assurance report will be found on page 74 in Sveaskog's Annual Report with Sustainability Report 2015 (in Swedish) and on page 81 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 the Sveaskog Group, unless stated otherwise. The Group includes the wholly owned subsidiary 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.

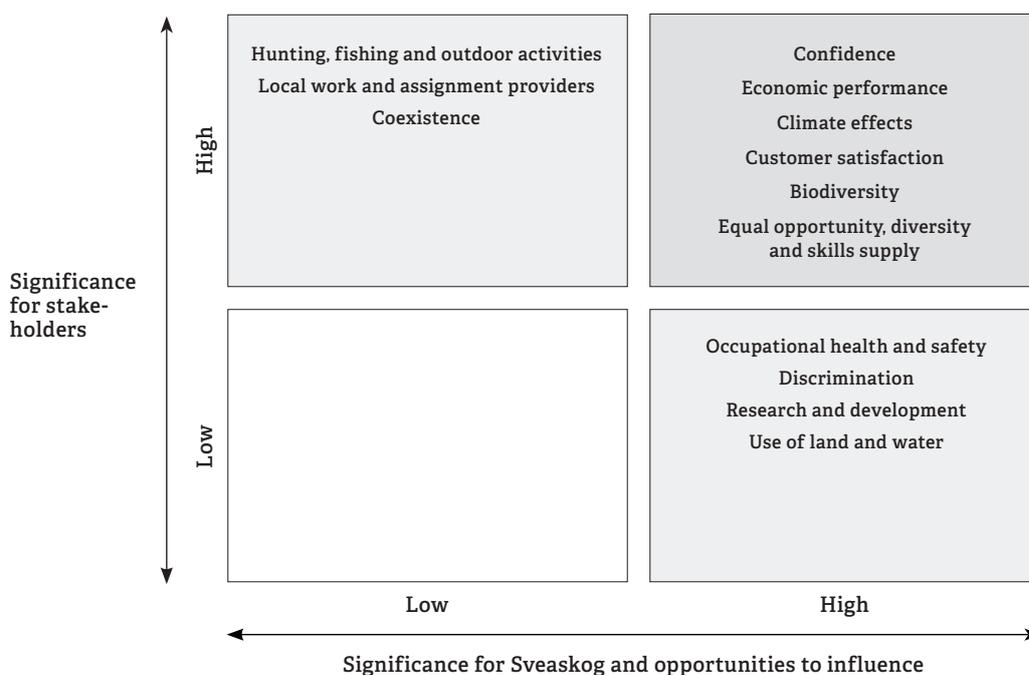
### Global Compact

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 anticorruption. 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.

## Note S2 | Materiality assessment

Every year, the company performs an analysis of the entire value chain in order to identify and work with the most relevant environmental, social and economic issues. This provides the company with an understanding of how it affects others. 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.



For the most significant areas within sustainability the GRI aspects and indicators as well as where influence mainly occurs are specified below. The entire GRI index with explanations is available at [www.sveaskog.se](http://www.sveaskog.se).

	Identified GRI aspects	Influence mainly occurs	GRI indicators
<b>Confidence</b>	Supplier assessments relating to environment, labour practices, human rights and impact on society	Outside the company	EN32, LA14, HR10, SO9
<b>Economic performance</b>	Economic performance	Within and outside the company	EC1
<b>Climate effects</b>	Energy, Emissions, Economic Performance	Outside the company	EN3-4, EN15-17, EC2
<b>Customer satisfaction</b>	Labelling of products and services	Within the company	PR5
<b>Biodiversity</b>	Biodiversity	Within and outside the company	EN12-13
<b>Equal opportunity, diversity and skills supply</b>	Employment, Occupational health and safety, Training and education, Diversity and equal opportunity.	Within the company	LA1, LA6, LA9, LA11-13, HR3

## Note S3 | Stakeholder dialogues

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

	Issues 2015	What is Sveaskog doing?	Dialogue opportunities
<b>Customers</b>	Product quality, efficient logistics, renewable vehicle fuels, technical development, FSC® and traceability, Sveaskog's role in the market, reliability, long-term relationships	FSC® certification, measures delivery precision, develops new fuels, timber traceability, market prices, code of conduct	Survey Customer Satisfaction Index, business development discussions
<b>Owner</b>	Market return, profitability and sustainable business	Financial targets and targets for sustainable business, corporate governance report, sustainability report	General meetings, Board meetings, dialogue with the Chairman of the Board
<b>Lending institutions and credit providers</b>	Financial targets, stable financial flows, sustainable business, new business opportunities	Reports financial targets, financial policy, prioritises long-term business relationships and customers with profitability potential	Company presentations, business discussions
<b>Employees</b>	Skills development and supply, equal opportunity, occupational health and safety, organisation	Internal training programmes, supports job rotation, active recruitment, work environment efforts and develops the organisation	Performance reviews and employee days, employee survey, leader days, leader programme, trade union cooperation, valuation dialogue with "the growth game", workplace meetings
<b>Contractors</b>	Developed and long-term cooperation, renewable energy, sustainable forest management, contract/ remuneration issues, training and working environment, attractiveness of forest industry	Long-term cooperation, partner contractors, cooperation projects, information and evaluations	Contractor Satisfaction Index, business development discussions, evaluations
<b>Timber suppliers</b>	Ability to pay, market prices, renewable energy, quality of felling assignments, skills supply, working environment, information about services, technical development	Good liquidity, market prices, FSC® planning for felling assignments, develops new fuels, information activities	Supplier Satisfaction Index, FSC® cooperation, forest days
<b>Tourism companies, hunters, anglers, etc.</b>	Grants land concessions, lease prices, forest and land for outdoor activities as well as grazing damage	Leases, investments in recreation areas and ecoparks, roads and signs, information on the website	Ecopark inaugurations, hunt leader meetings, consultations, business discussions, SVP Forestry Herman Sundqvist's blog
<b>Reindeer herders</b>	Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – coexistence	Formalised consultations, better maps, projects to develop land usage	Consultations about silvicultural measures, cooperation within Swedish FSC®
<b>Authorities</b>	Swedish Forestry Act, national environmental objectives	Annual audits, business management system, follow-up of goals and key indicators	Consultations regarding ecoparks and inaugurations, annual general meetings, SVP Forestry Herman Sundqvist's blog
<b>Nature conservation organisations</b>	Biodiversity, national conservation	Targets for sustainable business, environmental objectives and targets, FSC® membership, nature conservation strategy	Excursions, cooperation, SVP Forestry Herman Sundqvist's blog



## Note S10 | Average number of training hours by employee and year breakdown by employee category\*

	2011	2012	2013	2014	2015
Number of training hours, wage earners, average	39	37	46	37	52
Number of training hours, salaried employees, average	47	41	45	33	35
Key number training hours/employee	5.3 days 43 hours	4.9 days 39 hours	6 days 46 hours	4.4 days 35 hours	5.4 days 43 hours

\* Average number of employees.

## Note S11 | Proportion of workforce covered by a collective agreement

In Sweden, 100% of employees are covered by a collective agreement. Those not covered by a collective agreement are employed in the subsidiary SIA Sveaskog Baltfor registered office in Riga, Latvia. The proportion of employees covered by collective agreements is therefore 96%.

## Note S12 | Environmental data

	2011	2012	2013	2014	2015
<b>Production</b>					
All deliveries, thousand m <sup>3</sup> sub	10,605	10,721	10,807	10,838	10,748
Deliveries from own forests, thousand m <sup>3</sup> sub	5,704	5,962	6,255	6,561	6,570
Biofuel deliveries, thousand m <sup>3</sup> sub	1,498	1,479	1,359	999	868
<b>Energy consumption</b>					
Non-renewable fuels, TJ	1,750	1,781	1,806	1,752	1,519
Renewable fuels, TJ	–	–	109.1	80.5	233
Indirect energy consumption, MWh	10,143	9,509	9,254	9,222	9,136
<b>Emissions to air *</b>					
Fossil CO <sub>2</sub> , ktonnes	133	134	138	153**	146
Of which direct emissions, ktonnes	18.5	14	13	16	14
Of which indirect emissions, Scope 2, ktonnes	0.067	0.056	0.051	0.052	0.052
Of which indirect emissions, Scope 3, ktonnes ***	114.5	120	125	137	132
<b>Land</b>					
Total land area, million ha	4.1	4.1	4.0	4.0	4.0
Of which productive forest land, million ha	3.1	3.1	3.1	3.1	3.1
Proportion of unfelled total growth, % ****	44	39	40	35	36

\* Sveaskog reports the greenhouse gas carbon dioxide and complies with the guidelines of the Greenhouse Gas Protocol.

\*\* Starting with 2014 reporting both production and distribution of fuel are included in the emissions calculation which means that carbon dioxide emissions have increased.

\*\*\* Scope 3 includes felling, transport by road, sea and rail, road building, silviculture and business travel.

\*\*\*\* Including uncultivated forests.

# GRI index

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

P = page

All page references below refer to Sveaskog's Annual Report/Sustainability Report 2015, in Swedish

W = www.sveaskog.se

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<b>Indicator</b>		
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G4-4 Primary brands, products and/or services	4	
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G4-6 Number of countries where the organisation operations and names of countries where the organisation has significant operations	4	
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G4-10 Number of employees by employment contract, employment type, region and gender	3, 7, 14, 28, 80	
G4-11 Percentage of total employees covered by collective bargaining agreements	80	96%
G4-12 Description of organisation's supply chain	14, 28	
G4-13 Change regarding the organisation's size, structure, ownership or supply chain	28, 37–41	
G4-14 How the precautionary principle is approached	8, 30–31, 76	
G4-15 List of externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	3, 8, 28, 40, 76	Global compact, The Haga Initiative, Biolnnovation
G4-16 Membership of associations (such as industry associations) and national or international advocacy organisations	3, 8, 15, 28, 40, 76	Sveaskog is a member of several industry organisations: The Forestry Research Institute of Sweden, IVA, Svebio, Forest Stewardship Council, UN Global Compact, Eustafor, SLA, Forest Based Sector Technology Platform
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# Report content

## Specific standard disclosures

Material aspects	Governance (DMA)	Where to find information	Comments
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G4 EC2	Financial implications and other risks and opportunities for the organisation's, activities due to climate change	2, 7–8, 33–35, 40–41, W	32, 33–35
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<b>EMPLOYMENT</b>			
G4 LA1	Total number and rates of new employee hires and employee turnover by age group gender and region	8, 10, 26, 33–35, 40–41, W	79
<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	- " -	79
Sveaskog deviates and does not report work-related injuries by region and gender <sup>1)</sup>			
<b>TRAINING AND EDUCATION</b>			
G4 LA9	Average hours of training per year per employee by gender, and by employee category	- " -	26, 80
Sveaskog deviates and does not report training days by gender <sup>2)</sup>			
G4 LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	- " -	26
Sveaskog deviates and does not report performance reviews by gender and employee category <sup>3)</sup>			
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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	- " -	42–44, 79
Sveaskog does not register employee minority group membership or ethnicity.			
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<b>PRODUCT AND SERVICE LABELLING</b>			
G4 PR5	Results of surveys measuring customer satisfaction	8–9, 33–35, 40–41, W	8–9, 77–78

<sup>1)</sup> Since this applies in so few cases which means that anonymity cannot be guaranteed.

<sup>2)</sup> Sveaskog will examine the feasibility of also breaking down this information by gender in future.

<sup>3)</sup> Sveaskog will examine the feasibility of also breaking down this information by general and employee category in future.

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