

Corporate governance

The task of corporate governance is to ensure the Group's commitments to all of its stakeholders: shareholders, customers, suppliers, creditors, society and employees. At the same time, governance must be structured in a way that supports the company's long-term strategy, market presence and competitiveness. Corporate governance must be reliable, clear, simple and business-oriented.

Corporate governance, including remuneration, pages 66–75

This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration and remuneration issues in SCA and internal control in the Group are also included here. SCA applies

the Swedish Corporate Governance Code without any deviations, including the changes made to the Code on November 1, 2015 (www.bolagsstyrrning.se).

Risk management, pages 76–81

SCA's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-wide level. The section dealing with risk management describes the most significant

risks, and the policies and measures that the Group applies to manage these.

Sustainability, pages 28 and 32–33

SCA's sustainability work is an integral part of the company's business model. The sustainability work helps the company reduce risk and costs, strengthen competitiveness and attract talent and investors.

Governance at SCA

■ **Annual General Meeting**

The Annual General Meeting (AGM) is SCA's highest decision-making body, which all shareholders are entitled to attend, to have a matter considered and to vote for all shares held by the shareholder. The company's Board of Directors is elected at the AGM. The AGM also appoints the company's auditor. According to its Articles of Association, SCA has two listed classes of shares: Class A and Class B shares. Every Class A share represents one vote and every Class B share represents one tenth of a vote.

□ **Nomination Committee**

The Nomination Committee represents the company's shareholders and is charged with the sole task of preparing proposals for adoption at the AGM with respect to election and remuneration matters and, in certain cases, proposing procedural motions for the next Nomination Committee.

■ **Board of Directors**

The Board of Directors has overall responsibility for the company's organization and administration through regular monitoring of the business and by ensuring the appropriateness of the organization, management team, guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

The Board of Directors shall comprise members elected by the AGM with no deputies. In addition, the Board shall include three

members and three deputies appointed by the employees.

SCA's Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles.

Chairman of the Board

The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently conducted. This includes continuously monitoring the company's operations in close dialog with the President and CEO and ensuring that other Board members receive information and decision data that will enable high-quality discussion and decisions by the Board. The Chairman leads the assessment of the Board's and the President's work. The Chairman also represents the company in ownership matters.

Audit Committee

The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management. The Committee keeps itself informed on the audit, reviews and monitors the impartiality and independence of the auditors, and contributes proposals for the AGM's election of auditors. The Audit Committee sets guidelines for the procurement of services other than auditing services from the company's auditor. Lastly, the Audit Committee evaluates the audit effort and informs the Nomination Committee of the results of the evaluation.

Remuneration Committee

The Remuneration Committee prepares the Board's motions on issues relating to remuneration principles, remuneration and other terms and conditions of employment for the President and CEO and is authorized to make decisions in these matters for the company's senior executives. The Committee monitors and assesses programs for variable remuneration, the application of the AGM's resolution on guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the Group.

Internal audit

At SCA, it is the employees' responsibility to ensure sound internal governance and control in the operation or process for which they are responsible. Since 2006, internal audit has been a separate function with the task of evaluating and improving the efficiency of SCA's internal governance and control, as well as its risk management. This function has 13 employees and reports to the Audit Committee and the Board in terms of internal audit issues. The internal auditors are geographically located throughout the world where SCA conducts operations. The function examines, among other aspects, SCA's internal processes for ordering, invoicing, purchasing and financial reporting, IT systems, compliance with SCA's policies, including its Code of Conduct, HR issues and various types of projects. The function also offers internal consultancy services in connection with internal control matters.

■ President and CEO

SCA's President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President and CEO is supported by an Executive Vice President, who is also the CFO, and the Executive Management Team (see pages 74–75), the work of which is led by the CEO. The Executive Management Team comprises the President and CEO, the CFO, the Business Unit Presidents and the Presidents of the global units Global Hygiene Category (GHC), Global Hygiene Supply Tissue (GHS-T) and Global Hygiene Supply Personal Care (GHS-PC), as well as Logistics, and the Senior Vice Presidents of the Group functions Human Resources, Sustainability, Legal Affairs, Communications and Strategy and Business Development. The formal work plan for the Board of Directors and terms of reference issued by the Board of Directors to the President detail, for example, the division of work between the Board and President. In consultation with the Chairman of the Board, the President prepares documentation and decision data for the Board's work.

SCA has seven business units. After a reorganization on January 1, 2016, the business units are as follows:

- SCA Incontinence Care, which offers incontinence products in Europe and North America.
- SCA Consumer Goods, which offers consumer goods in Europe.
- SCA Latin America, which offers personal care products and tissue.
- SCA MEIA (the Middle East, India and Africa), which offers personal care products and tissue.
- SCA Asia Pacific, which offers personal care products and tissue.
- SCA AfH Professional Hygiene, which offers AfH tissue in Europe and North America.
- SCA Forest Products, which offers paper for packaging and print, pulp, solid-wood products and renewable energy.

In addition to the business units, SCA has established three global units:

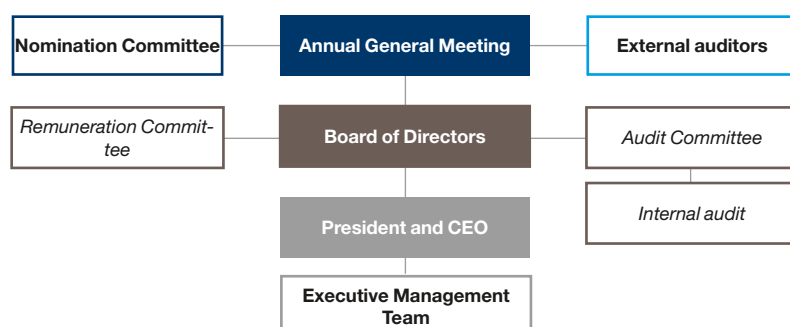
- Global Hygiene Category (GHC), with global responsibility for customer and consumer brands and innovation in the hygiene area.
- Global Hygiene Supply Tissue (GHS-T), with global responsibility for purchasing, production and technology in Tissue.
- Global Hygiene Supply Personal Care (GHS-PC), with global responsibility for purchasing, production and technology in Personal Care.

SCA's business units adhere to the principle of distinct decentralization of responsibility and authority. The business units are fully responsible for developing their respective operations through established objectives and strategies, a process that is also centrally coordinated. The business units are responsible for their operating results, capital and cash flow. Business and earnings position are followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are conducted during which the management of each business unit personally meets with the President, the CFO and others. These meetings function as a complement to the daily monitoring of operations. Through formal work plans and terms of reference, a number of issues of material significance are placed under the control of the CEO and the Parent Company's Board of Directors. SCA divides and reports its business in three business areas – Personal Care, Tissue and Forest Products.

□ External auditors

The company's auditor, elected at the Annual General Meeting, examines SCA's annual report and consolidated financial statements, the Board's and President's administration and the annual reports of subsidiaries, and submits an audit report.

The audit is performed in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden.



Internal rules and regulations, etc.

- Articles of Association
- Rules of Procedure plan of the Board of Directors
- Terms of reference issued by the Board to the President
- Code of Conduct
- Policy documents (such as financial, communications, risk management, pension, HR and diversity) and instructions

External rules and regulations, etc.

- The Swedish Companies Act
- Swedish and international accounting legislation
- NASDAQ OMX Stockholm's rules for issuers
- Swedish Corporate Governance Code

Compliance with stock market regulations

In 2015, SCA was not sanctioned by Finansinspektionen, the stock exchange's disciplinary committee or any other authority or self-regulating body for violations of the rules concerning the stock market.

Read more about SCA's Corporate Governance at www.sca.com

- Articles of Association
- Swedish Corporate Governance Code
- Information from previous Annual General Meetings since 2005 (notices, minutes, President's speeches and press releases)
- Information from the Nomination Committee since 2006 (composition, proposals and work)
- Information ahead of the 2016 Annual General Meeting (notice, Nomination Committee proposals, Board proposal for principles for remuneration of senior executives, information routines for notifying attendance at the Meeting, etc.)
- Earlier Corporate Governance Reports, since 2005

Activities during the year

Annual General Meeting

The AGM was held on Wednesday, April 15, 2015, in Stockholm, Sweden. The Meeting was attended by 1,510 shareholders, either personally or by proxy, corresponding to 67.2% of the votes in the company. Eva Hägg, Attorney-at-Law, was elected Chairman of the Meeting.

Resolutions by the Meeting

- dividend of SEK 5.25 (4.75) per share to be paid for the 2014 fiscal year,
- re-election of the Board members Pär Boman, Rolf Börjesson, Leif Johansson, Bert Nordberg, Anders Nyrén, Louise Julian Svanberg and Barbara Milian Thoralfsson and the election of new Board members Annemarie Gardshol and Magnus Groth,
- Pär Boman elected as the new Chairman of the Board,
- adoption of guidelines for determining the salary and other remuneration of the President and other senior executives; see page 44 and Note C3 on pages 97–99.

The minutes of the Meeting in full and information on the 2015 AGM, including the President's speech, are available at www.sca.com.

Nomination Committee

The 2012 AGM decided that the Nomination Committee should comprise representatives of not fewer than the four and not more than the six largest shareholders

in terms of voting rights, as well as the Chairman of the Board, who is also the convener, and that this decision should apply until further notice. The Nomination Committee shall submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees and remuneration for committee work, the election of the company's auditor and remuneration for services rendered.

In its work, the Nomination Committee is to consider the rules that apply to the independence of Board members, as well as the requirement of diversity and breadth with the endeavor to achieve an even gender distribution and that the selection for those nominated shall be based on expertise and experience relevant to SCA.

Composition of the Nomination Committee for the 2016 AGM

The composition of the Nomination Committee for the 2016 AGM is as follows:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee
- Håkan Sandberg, Handelsbanken Pension Foundation, among others
- Yngve Slyngstad, Norges Bank Investment Management
- Hans Sterte, Skandia
- Pär Boman, Chairman of the Board, SCA

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2016 AGM is presented in

the notice convening the Annual General Meeting on SCA's website www.sca.com. The 2016 AGM will be held on April 14; see page 39.

The Nomination Committee was convened on nine occasions. The Chairman of the Board presented the Board evaluation and provided the Nomination Committee with information regarding Board and committee work during the year. When preparing proposals for the Board for the 2016 AGM, particular attention has been paid to the issues of diversity and an even gender distribution in accordance with the company's diversity policy.

Board of Directors

SCA's Board of Directors comprises seven members elected by the AGM.

Board members Pär Boman, Rolf Börjesson, Leif Johansson, Bert Nordberg, Anders Nyrén, Louise Julian Svanberg and Barbara Milian Thoralfsson were re-elected to the Board in 2015. Magnus Groth, SCA's President and CEO, and Annemarie Gardshol were also elected as new Board members. Pär Boman was elected as the Chairman of the Board. After the AGM, Anders Nyrén resigned from the Board on April 30, 2016 and Rolf Börjesson resigned on May 4, 2016.

The independence of Board members is presented in the table below. SCA complies with the requirements of the Swedish Corporate Governance Code that stipulate that not more than one member elected by the AGM shall be a member of

Board of Directors and committees

Board of Directors	Elected	Dependence	Committees		Attendance*		
			Audit	Remuneration	Board of Directors (16)	Audit Committee (5)	Remuneration Committee (7)
Pär Boman ¹⁾	2010	■	x	Chairman	16/16	4/4	5/5
Annemarie Gardshol ²⁾	2015				10/10		
Leif Johansson	2006			x	16/16		7/7
Louise Julian Svanberg ³⁾	2012			x	15/16		4/4
Bert Nordberg ⁴⁾	2012		x		16/16	3/3	
Barbara Milian Thoralfsson	2006		Chairman		16/16	5/5	
Magnus Groth ⁵⁾	2015	■			10/10		
Sverker Martin-Löf ⁶⁾	1986	■			6/6	1/1	2/2
Rolf Börjesson ⁷⁾	2003				8/8		3/3
Anders Nyrén ⁸⁾	2001	■			8/8	1/1	
Jan Johansson ⁹⁾	2008	■			6/6		

* Board meetings January 1–December 31, 2015.

■ = Dependent in relation to the company's major shareholder, AB Industrivärden.

■ = President of SCA, dependent in relation to the company and the Executive Management Team.

■ = Dependent in relation to the company, the Corporate Senior Management Team, and the company's major shareholder, AB Industrivärden.

Composition of the largest shareholders, Nomination Committee at August 31, 2015 (share of votes)

	%
AB Industrivärden	29.6
Handelsbanken's foundations, etc.	11.4
Norges Bank Investment Management	7.9
Skandia	1.5

¹⁾ Chairman of the Board and member of the Audit and Remuneration Committee as of April 15, 2015.

²⁾ Elected to the Board on April 15, 2015.

³⁾ Member of the Remuneration Committee as of May 8, 2015.

⁴⁾ Member of the Audit Committee as of May 8, 2015.

⁵⁾ Elected to the Board on April 15, 2015.

⁶⁾ Withdrew from the Board on April 15, 2015.

⁷⁾ Withdrew from the Board on May 04, 2015.

⁸⁾ Withdrew from the Board on April 30, 2015.

⁹⁾ Withdrew from the Board on April 15, 2015.

President and CEO until March 1, 2015.

company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the Board members have experience of the requirements incumbent upon a listed company. The employees have appointed the following three representatives to the Board for the period until the 2017 AGM: Roger Boström, Örjan Svensson and Thomas Wiklund, and their deputies Per Andersson, Paulina Halleröd and Hans Nyqvist.

Board activities

In 2015, the Board was convened 16 times. The Board has fixed working procedures that describes in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. The Board also establishes and evaluates the company's overall objectives and strategy and decides on significant rules with regard to the company's social responsibility, such as SCA's Code of Conduct. Another key task is to continuously monitor the internal control of the compliance of the company and its employees with relevant internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout the year, the Board has also dealt with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditors regularly present a report on their audit work and these issues are discussed by the Board. The Business Unit Presidents present reports on their respective operations and current issues affecting them to the Board.

Evaluation of the Board's work

The work of the Board, like that of the President, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis

for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. In 2015, external expertise was used regarding the interview questions. In 2015, the evaluation took the form of interviews and a questionnaire as well as group and individual discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the full results of the evaluation.

Audit Committee

The Audit Committee comprises Chairman Barbara Milian Thoralfsson, Pär Boman and Bert Nordberg. The Audit Committee held five meetings during the year. In addition, members have also held internal meetings with internal audit, the auditors and the CFO, and held meetings with the auditors and CFO of Vinda in Hong Kong. In its work, which includes monitoring financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of various measurement issues, such as testing of impairment requirements for goodwill, the measurement of forest assets and the preconditions for the year's pension liability calculations.

Remuneration Committee

The Remuneration Committee comprises Chairman Pär Boman, Leif Johansson and Louise Julian Svanberg. The Remuneration Committee held seven meetings during the year. Activities in 2015 mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

Internal audit

The basis of the work is a risk analysis conducted in cooperation with SCA's management. The risk analysis concludes in an audit plan, which is presented to the

Audit Committee. In 2015, around 120 audit projects were performed. During the year, the function reported its observations at meetings with the Audit Committee.

Work in 2015 involved follow-up of the units' progress with process-based control, follow-up of the efficiency in internal governance and control, follow-up of product safety and follow-up of the Code of Conduct.

External auditors

The 2015 Annual General Meeting appointed the accounting firm of Price-waterhouseCoopers AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Anna-Clara af Ekenstam, Authorized Public Accountant, would be the auditor in charge. Anna-Clara af Ekenstam is also the auditor of SAAB AB and Knowit AB. The auditor owns no shares in SCA.

In accordance with its working procedures, the Board met with the auditors at two scheduled Board meetings in 2015. The auditors also attended each meeting of the Audit Committee. At these meetings, the auditors presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditors delivered an in-depth verbal report on the audit for the year. The working procedures specifies a number of mandatory issues that must be covered. These include matters of importance that have been a cause for concern or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditors also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

Remuneration, Executive Management Team and Board of Directors

Guidelines

The 2015 Annual General Meeting adopted guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable salary and other benefits, and a pension; see Note C3 on pages 97–99. These guidelines are proposed to remain unchanged until the 2016 AGM with the addition that pension benefits in new employment contracts should, wherever possible, only include defined premium pension benefits and entitle the executive to receive a pension from the age of 65; see page 44.

Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in Note C3 on pages 97–99. Variable remuneration for the CEO, CFO and Business Unit Presidents was maximized to a total of 100% of the fixed salary for 2015. For one Business

Unit President, stationed in the US, the maximum outcome is 130%, while the corresponding limit for other senior executives is 90%.

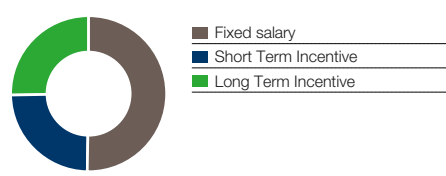
Variable remuneration and strategic targets

Programs for variable remuneration are formulated to support the Group's strategic targets. The short-term program is individually adapted and based mainly on cash flow, operating profit and growth. The long-term program is based on the SCA share's long-term total shareholder return.

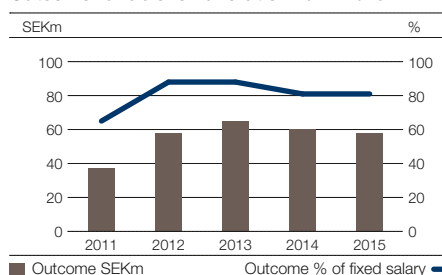
Remuneration of the Board

The total remuneration of the AGM-elected Board members amounts to SEK 7,780,000 in accordance with the AGM's resolution, although the actual compensation was lower due to two members resigning from the Board in advance. See Note C3 on pages 97–99 for further information.

Possible maximum remuneration, composition



Outcome variable remuneration 2011–2015



Internal control and financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describe its system for internal control and risk management with respect to financial reporting. The Board bears the overall responsibility for financial reporting and its working procedures regulates the internal division of work between the Board and its committees.

The Audit Committee has the important task of preparing the Board's work to assure the quality of financial reporting. This preparation work includes issues relating to internal control and regulation compliance, control of recognized values, estimations, assessments and other activities that may impact the quality of the financial statements. The Committee has charged the company's auditors with the task of specifically examining the degree of compliance in the company with the rules for internal control, both general and detailed.

Financial reporting to the Board

The Board's working procedures stipulates which reports and information of a financial nature shall be submitted to the Board at each scheduled meeting. The President ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

External financial reporting

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. Besides the year-end report, the auditor also conducts a review of the six-month report.

Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. There is also a joint system for reporting annual accounts. SCA's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income statement and balance sheet items are compared with earlier reports, budgets and other planned figures. Control activities that are significant to financial reporting are carried out using the company's IT system. For further information, see Risk and risk management on pages 76–81.

Control activities and follow-up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Function Finance and are easily accessible on the Group's intranet. The Group Function Finance is responsible for ensuring compliance with instructions and guidelines. Process managers at various levels within SCA are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business unit's controller organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. In addition, each business unit has a Finance Manager with responsibility for the individual business unit's financial statements. The company's control activities are supported by the budgets prepared by each business unit and updated during the year through continuous forecasts.

SCA has introduced a standardized system of control measures involving processes that are significant to the company's financial reporting. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question. Control of these processes is

assessed through self-evaluation followed up by the internal audit unit. In some cases, SCA has enlisted external help to validate these control measures.

Financial results are reported and examined regularly within the management teams of the operating units and communicated to SCA's management at monthly and quarterly meetings. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until the year-end closing. For additional information, see Internal audit on page 69.

The Board follows up to ensure that the internal control and reporting to the Board functions through continuous reporting from the CEO and CFO and through reporting from the internal audit unit in the scope of the audit plan set annually. Internal audit also continuously reports its observations in this respect to the Audit Committee. Internal Audit's tasks include following up compliance with the company's policies, and the results of this follow-up are reported to the Board through the Audit Committee.

Activities in 2015

For a number of years now, the entire SCA Group has used a shared reporting system for financial statements. An increasing number of units within SCA are also introducing the same accounting system based on a common IT platform.

Another development involved the co-location of accounting and reporting of several units in shared service centers, which made reporting more efficient and uniform. Work continued during the year to reduce the number of legal entities in SCA and thereby simplify the reporting and system structures. SCA Global Business Services (GBS), which is responsible for providing professional and transactional services in finance, HR administrative support, organization of master data, and office-related support and services to all units within SCA, continued its efforts to improve the efficiency of the processes during the year.

All of the SCA Group's policies and, where relevant, instructions and guidelines were reviewed in 2015. The purpose of the review was to ensure that SCA has a portfolio of policies that promotes effective and responsible operation of the business.

Board of Directors and Auditors



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Elected by the Annual General Meeting

1 Pär Boman (1961)

Engineer, Economist, Hon PhD Econ

Chairman of the Board since 2015. Chairman of the Board of Svenska Handelsbanken AB, Deputy Chairman of the Board of AB Industrivärden and Board member of Skanska AB.

Formerly President and CEO of Handelsbanken 2006–2015 and Vice President of Handelsbanken 1998–2006. Elected: 2010

Class A shares: 1,000

Independent of the company and corporate management.

2 Annemarie Gardshol (1967)

MSc Eng.

Various senior positions in Postnord AB and a member of Postnord's corporate management team since 2012.

President of Strålfors and member of the Board of Etac AB.

Elected: 2015

Class B shares: 700

Independent of the company, corporate management and SCA's major shareholders.

3 Magnus Groth (1963)

MBA and MSc ME

President and CEO of SCA. Member of the Board of Acando AB. Former President of SCA Consumer Goods Europe 2011–2015. President of Studsvik AB (publ) 2006–2011 and SVP of Vattenfall 2001–2005.

Employed since: 2011

Elected: 2015

Class B shares: 11,250

Independent of SCA's major shareholders.

4 Leif Johansson (1951)

MSc Eng.

Chairman of the Boards of Telefonaktiebolaget LM Ericsson and AstraZeneca. Member of the Board of Ecolan AB. Chairman of the Royal Swedish Academy of Engineering Sciences (IVA), Chairman of the Nobel Foundation's International Advisory Board and member of the European Round Table of Industrialists (ERT).

President and CEO of Volvo 1997–2011. Vice President of AB Electrolux 1988–1991, President 1991–1994 and President and CEO of Electrolux 1994–1997.

Elected: 2006

Class B shares: 5,800

Independent of the company, corporate management and SCA's major shareholders.

5 Bert Nordberg (1956)

Engineer

Chairman of the Board of Vestas Wind Systems A/S.

Member of the Boards of AB Electrolux, Skistar AB, Axis AB and Sigma Connectivity AB.

Previously held various management positions in Digital Equipment Corp. and Ericsson, President of Sony Mobile Communications AB 2009–2012. Member of the Board of BlackBerry Ltd 2013–2014 and Chairman of the Board of Sony Mobile Communications AB 2012–2013.

Elected: 2012

Class B shares: 5,000

Independent of the company, corporate management and SCA's major shareholders.

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2015.



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6 Louise Julian Svanberg (1958)

MSc Econ.

Member of the Board of Careers Australia and member of the Advisory Board for Cue Ball Capital, Boston.

Previously held various management positions in EF, including President 2002–2008 and Chairman of the Board 2008–2010.

Elected: 2012

Class B shares: 15,000

Independent of the company, corporate management and SCA's major shareholders.

7 Barbara Milian Thoralfsson (1959)

MBA, BA

Member of the Boards of Cable & Wireless Plc, Hilti AG, ColArt Holdings Ltd and Norfolier GreenTec AS, and industry advisor to EQT. President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Member of the Board of AB Electrolux 2003–2014 and member of the Board of Telenor ASA 2009–2015.

Elected: 2006

Independent of the company, corporate management and SCA's major shareholders.

Appointed by the employees

8 Roger Boström (1971)

Vice Chairman of the Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill, Timrå.

Member of the Swedish Trade Union Confederation (LO).

Appointed: 2013

Class B shares: 25

9 Örjan Svensson (1963)

Senior Industrial Safety Representative at SCA Hygiene Products AB, Edet Bruk, Lilla Edet.

Member of the Swedish Trade Union Confederation (LO).

Appointed: 2005

Class B shares: 75

10 Thomas Wiklund (1955)

Shift Production Manager and Chairman of Ledarna (Swedish Organization for Managers) at Munksund paper mill.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2009

Deputies

Per Andersson (1955)

Employed at SCA Obbola, Umeå.

Appointed: 2013

Paulina Halleröd (1967)

Employed at SCA Hygiene Products, Gothenburg

Appointed: 2013

Hans Nyqvist (1968)

Employed at SCA Hygiene Products, Gothenburg

Appointed: 2013

Honorary Chairman

Bo Rydin

MSc Econ., Hon PhD Econ., Hon PhD Engineering

Auditors

PricewaterhouseCoopers AB

Secretary to the Board

Mikael Schmidt (1960)

Master of Laws

Senior Vice President, Group Function Legal Affairs, General Counsel.

Employed since: 1992

Class B shares: 10,000

Executive Management Team

As of January 1, 2016



1 Magnus Groth (1963)

President and CEO
MBA and MSc ME
Employed since: 2011
Class B shares: 11,250

2 Fredrik Rystedt (1963)

CFO and Executive Vice President
Head of Group Function Finance
MSc Econ.
Employed since: 2014
Class B shares: 5,000

3 Joséphine Edwall-Björklund (1964)

Senior Vice President, Group Function Communications
BSc in Communications
Employed since: 2012
Class B shares: 3,782



4 Pablo Fuentes (1973)

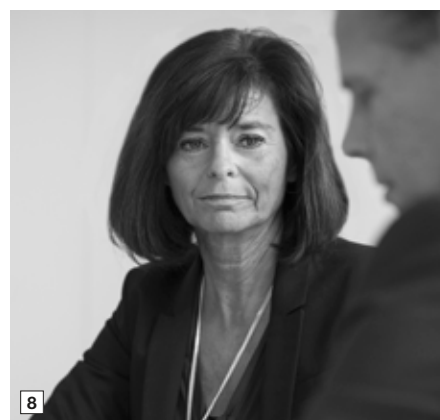
President, SCA Latin America
MSc Econ., MBA
Employed since: 2006
Class B shares: 8,073

5 Donato Giorgio (1973)

President, SCA Global Hygiene Supply Tissue
MSc Eng.
Employed since: 2009
Class B shares: 2,838

6 Ulrika Kolsrud (1970)

President, SCA Global Hygiene Supply Personal Care
MSc Eng.
Employed since: 1995
Class B shares: 1,897



7 Ulf Larsson (1962)

President, SCA Forest Products
BSc Forestry
Employed since: 1992
Class B shares: 4,400

8 Margareta Lehmann (1958)

President, SCA Incontinence Care
MSc Econ.
Employed since: 1983
Class B shares: 7,928

9 Don Lewis (1961)

President, SCA AfH Professional Hygiene
MSc Econ.
Employed since: 2002
SCA ADR: 15,195

Information regarding individuals' own and related parties' shareholdings pertaining to the situation on December 31, 2015.



10



11



12

10 Sune Lundin (1951)

President, Logistics
MSc Eng.
 Employed since: 2008
 Class B shares: 13,610

11 Annika Nordin (1954)

Acting President, Global Hygiene Category
MSc Eng.
 Employed since: 1984
 Class B shares: 3,445

12 Mikael Schmidt (1960)

Senior Vice President, Group Function Legal Affairs,
 General Counsel
Master of Laws
 Employed since: 1992
 Class B shares: 10,000



13



14



15

13 Robert Sjöström (1964)

Senior Vice President, Group Function Strategy and
 Business Development, Global Business Services and IT
MSc Econ., MBA
 Employed since: 2009
 Class B shares: 10,000

14 Kersti Strandqvist (1963)

Senior Vice President, Group Function Sustainability
MSc Chem., Tech Lic.
 Employed since: 1997
 Class B shares: 9,797

15 Ulf Söderström (1964)

President, SCA Asia Pacific
Studies in economics, MBA
 Employed since: 2009
 Class B shares: 16,000



16



17



18

16 Thomas Wulkan (1961)

President, SCA MEIA
BSc BA
 Employed since: 2000
 Class B shares: 5,150

17 Volker Zöller (1967)

President, SCA Consumer Goods
BSc BA
 Employed since: 1994
 Class B shares: 4,350

18 Anna Sävinger Åslund (1969)

Senior Vice President, Group Function Human Resources
HR Management Degree
 Employed since: 2001
 Class B shares: 1,830

Risks and risk management

SCA is exposed to a number of risks that could exert a greater or lesser material impact on the Group. These risks are generally defined as factors that impact SCA's ability to achieve established targets for the Group. This applies to both financial targets and targets in other areas. SCA's targets are outlined on pages 30–33.

Many of the risks described could have a positive or negative impact on the Group. This implies that if a risk develops in a favorable manner or if risk management is successful in counteracting the risk, target fulfillment could exceed expectations. From this perspective, risk could also entail opportunities for SCA. Examples include the GDP trend and the economic situation, the cost of input goods, customer and consumer patterns, and movements in market prices.

The description in this section relates to the structure that the SCA Group had at year-end 2015.

SCA's structure and value chain

SCA's structure and geographically dispersed business entails in itself a certain degree of risk reduction. SCA conducts operations in three business areas that deliver to entirely, or partially, different customer segments and end-users. The operations are influenced to varying degrees by the business cycle and general economic prosperity and their competitive situations also

differ. SCA's products are sold through many different channels and distribution paths.

The operation has a large geographical spread. Sales are conducted in about 100 countries worldwide and manufacturing is pursued at about 100 production units in some 30 countries. Sales are often based on local manufacturing.

SCA's structure also ensures that the raw material flows are, to a certain degree, integrated from forest land to the finished consumer products. In 2015, 54% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills. The wood fiber is used for SCA's production of pulp, kraftliner and publication papers, in sawmill operations, and for the manufacture of tissue. Forest waste from SCA's activities is used in biofuel operations. The energy generated in the production process is used internally or sold.

The pulp is subsequently used mainly in the production of tissue. In 2015, own pulp production corresponded to 24% of SCA's pulp consumption.

Processes for risk management

SCA's Board determines the Group's strategic direction based on recommendations from Executive Management Team. The responsibility for long-term and overall management of strategic risks follows the company's delegation scheme, from the Board

to the President, and from the President to the Business and Global Unit Presidents. This implies that most operational risks are managed by SCA's business and global units at a local level, but are coordinated when deemed necessary. The tools for this work primarily comprise continuous reporting by the business and global units and the annual strategy process, which includes risk assessment and risk management as part of the process. In this process, identified risks have been classified according to the likelihood of the risk becoming a reality and the impact on SCA's goal fulfillment. The outcome of this evaluation constitutes a part of the assessment of risks described in this section.

SCA's financial risk management is centralized, as is the case for the corporate internal bank for financial transactions of Group companies and management of the Group's energy risks. The financial risks are managed in accordance with the Group's finance policy, which is set by SCA's Board and, together with SCA's energy risk policy, comprises a framework for management activities. The risks are grouped and followed up on a regular basis to ensure compliance with these guidelines. SCA has also centralized the management of other risks.

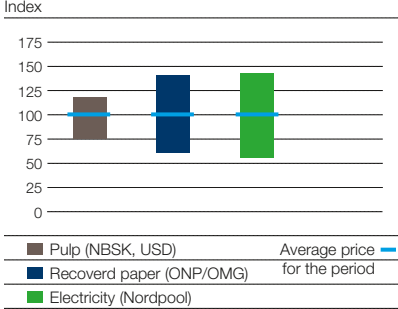
SCA has established a corporate internal audit unit, which ensures that SCA's organization complies with the set policies.

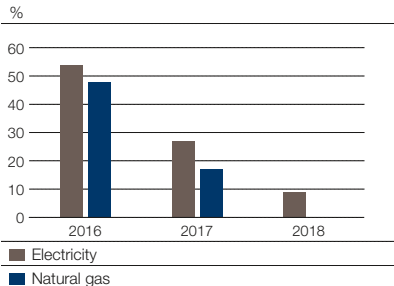
Risks that impact SCA's ability to achieve established targets

Risk	Policy/Action
GDP trend and economic conditions	
SCA's volume development is linked to the development of GDP and related factors, including industrial production, in countries representing SCA's main markets. Movements in the GDP trend influence demand for some of SCA's products, primarily in the Forest Products business area. Development within SCA's key customer segments (Europe, Index year 2000 = 100) Index 120 100 80 60 40 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 — Retail trade — Manufacturing industry — Construction industry — Advertising market (newspapers and magazines, Germany, France and the UK) — Tissue	In 2015, Personal Care and Tissue accounted for 85% of SCA's sales. Sales to the retail market, which accounts for the bulk of sales of hygiene products, are more dependent on established consumption patterns and distribution than the economic climate. The institutional care and homecare segment for incontinence products is also relatively unaffected by the business cycle, although it can be impacted by the public sector budget situation in certain countries. The segment in the hygiene business that is most sensitive to economic movements is AfH tissue, which is affected by the consumption of tissue outside the home, for example, within industry and offices, as well as in the hotel and restaurant industry. Forest products are vulnerable to economic movements. Sales of publication papers, representing 4% of SCA's sales, are affected by fluctuations in business activity in the advertising sector. The relatively cyclical construction and prefabricated house industries impact SCA's solid-wood product business, which accounts for 5% of sales. For all businesses, it is important that SCA manages the effects of the economic movements that occur by taking actions to reduce costs and by reviewing the capacity and production structure.

Risk	Policy/Action
Environmental impact and climate change	
SCA's operations have an impact on air, water, land and biological processes. These effects could lead to costs for restoring the environment or other kinds of negative effects. The matter of the economic impact of climate change is also growing in significance.	A number of years ago, SCA established a sustainability policy, detailing guidelines for the Group's actions in the areas of environmental and social responsibility. In addition to this, targets for people and nature are an integrated part of SCA's business strategy. Risks are minimized through preventive work in the form of certified environmental management systems, environmental risk inspections in conjunction with acquisitions, and remediation projects in connection with plant closures. The Group's large forest holding has a significant positive environmental effect through the absorption of carbon dioxide. The forest also guarantees access to renewable forest raw materials and provides valuable ecosystem services for society. Through its Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. The data is used for internal control and follow-up of established targets. SCA works proactively to decrease its carbon footprint by reducing its energy consumption and emissions of greenhouse gases. Continuous work is conducted to reduce the already low levels of oil and coal used in the Group, and to increase the proportion of renewable energy, such as wind power. A comprehensive description of SCA's work and governance in this area is provided in the Group's Sustainability Report.
Impact of political decisions	
SCA is affected by political decisions and administrative regulations in the approximately 100 countries in which the Group conducts operations. These relate to general regulations, such as taxation and financial reporting. SCA is also impacted by more specific regulations, such as the granting of permits in accordance with the Environmental Code and reimbursement of expenses in the healthcare system.	Through SCA's Public Affairs unit, the company works to monitor and evaluate changes in its surroundings, including amended legislation, and to identify actions that lead to improvements of the policy areas/regulations for the benefit of all relevant stakeholder groups. SCA is also a member of national and international trade associations, which comprise the primary bodies for participation in current public debates. A key area for SCA is global energy and environmental legislation. Because SCA has major operations in Europe and the EU plays a leading role in developing environmental legislation, SCA is focusing its activities on the various EU institutions. For example, SCA monitors developments in policy areas of major importance to the company, including resource consumption in general and issues pertaining to water, air and waste, such as EU trade in emission rights, the EU waste regulations and circular economy initiatives. Since the public sector is both a significant customer and stakeholder group for SCA, the health debate is important to the company, especially with regard to the development of systems for health-care with greater patient benefit and greater cost efficiency. SCA also works actively to disseminate knowledge and solutions regarding various national systems to decision-makers in countries where new structures are being built up. Examples include the development of systems for cost-free or subsidized prescription of incontinence aids in countries where such benefits were not offered in the past.
Impact of substitutes	
Other product solutions (substitutes) can replace products that are included in SCA's offering and thereby reduce sales. By offering competitive products, SCA can also take market shares from the substitute. The issue of substitutes is also linked to changes in the patterns and attitudes of customers and consumers that affect demand for certain products and thus profitability.	Substitutes exist for virtually all SCA products. This may involve different products with a similar function, such as cloth diapers or cloth rags for household or industrial cleaning, or completely different solutions to the needs of customers and consumers, such as electric hand dryers and the spread of news by electronic media instead of on paper. SCA takes proactive steps to adapt to the existence of substitutes and take advantage of the possibilities to expand the Group's business by viewing the substitutes as a potential market opportunity. Another way of being proactive is through innovation, including in-house research and development. A major driver for innovation comprises demands and requests from customers and consumers. Accordingly, development work is often conducted in direct cooperation with customers. An increasingly important factor is greater focus on sustainability with respect to environmental, economic and social factors. Other demands imposed on SCA's innovation include the desire to create profitable differentiation for SCA's product range and create value and growth, both for customers and SCA (read more about innovation on pages 20–23). In many countries, the degree of penetration is low, meaning only a small proportion of the population uses SCA's products, compared with more developed countries. To increase acceptance of its products, SCA focuses on matters influencing attitudes and on breaking taboos. This also applies to Europe and North America with regard to such items as incontinence products.
Dependence on major customers and distributors	
The retail trade is SCA's single largest customer group and thus exercises considerable influence. Around 55% of SCA's sales are made to the retail trade, under both SCA's brands and the retailer's own brands. SCA also uses other distributors or retailers that could impact the Group. A general consolidation process is taking place in several of SCA's sales channels, thus increasing dependence on individual customers. This increase in dependence could result in negative consequences if SCA does not fulfill the demands imposed.	SCA's customer structure is relatively dispersed, with customers in many different areas of business. In the retail trade, the prevailing trend is towards increased concentration, which has mainly resulted in fewer retail companies at a national and regional level. This could also present opportunities through closer cooperation. There are still a considerable number of retail companies, which reduces the risk for SCA. SCA also uses distributors, mainly for AfH tissue. A very large number of distributors are active in this segment and the international concentration is relatively low. In 2015, SCA's ten largest customers accounted for 22% of SCA's sales. The single largest customer accounted for 4% of sales. Most of these customers were retail companies. The ten largest customers also include some large distributors of AfH tissue. Credit risk in accounts receivable is dealt with in the section Credit risk, on page 81.

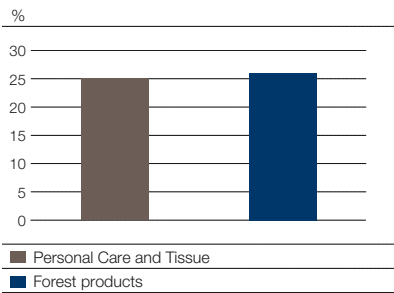
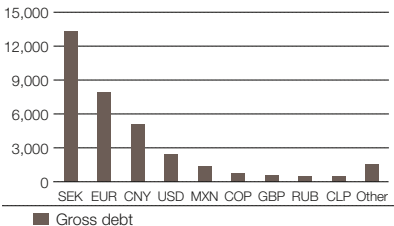
Risk	Policy/Action																
Movements in the market price of SCA's products																	
Movements in the market price of SCA's products could create major fluctuations in the profitability of the product in question when these movements are not linked to changes in costs for SCA.	Several methods can be applied to address this risk. Long-term contracts at fixed prices and price hedging only occur in exceptional cases. To reduce the impact of price movements on SCA, actions are taken to adapt the cost scenario to lower market prices, for example, by renegotiating purchasing agreements, implementing personnel and capacity reductions, and reviewing the business structure. In other cases, the product's content can be adapted to the new market price level. Movements in the market price in a number of SCA's product segments are detailed in the figure below. The diagram specifies the average price per year (Index 100) and movements around this value over the past ten years.	Highest/lowest market prices (annual average) 2005–2015 per product <table><caption>Highest/lowest market prices (annual average) 2005–2015 per product</caption><thead><tr><th>Product</th><th>Lowest Index (approx.)</th><th>Highest Index (approx.)</th></tr></thead><tbody><tr><td>Solid-wood products (Pine)</td><td>85</td><td>115</td></tr><tr><td>Production papers (LWC)</td><td>95</td><td>105</td></tr><tr><td>Kraftliner</td><td>80</td><td>110</td></tr><tr><td>Tissue</td><td>95</td><td>105</td></tr></tbody></table> Legend: Solid-wood products (Pine) (brown), Production papers (LWC) (blue), Kraftliner (green), Tissue (purple). Average price for the period (Index 100) is shown as a horizontal line.	Product	Lowest Index (approx.)	Highest Index (approx.)	Solid-wood products (Pine)	85	115	Production papers (LWC)	95	105	Kraftliner	80	110	Tissue	95	105
Product	Lowest Index (approx.)	Highest Index (approx.)															
Solid-wood products (Pine)	85	115															
Production papers (LWC)	95	105															
Kraftliner	80	110															
Tissue	95	105															
Risks at plants																	
SCA has around 100 production facilities in some 30 countries. Many of them conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems.	SCA's activities in this area are governed by its Risk Management Policy, which controls how SCA shall manage insurable operating risks. From this perspective, the aim of risk management is to effectively and cost efficiently protect the employees, the environment, the company's assets and the business, and to minimize SCA's risk management costs. This can be achieved by creating and retaining a balance between loss prevention and insurance coverage. The loss-prevention work is conducted in accordance with established guidelines that include inspections by risk engineers and benchmarking with other plants, within and outside SCA. Other important	elements of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation. Every year, SCA invests in loss-prevention measures and its production plants continuously work to reduce their risks. For example, new facilities are fitted with sprinkler systems as standard. All wholly owned plants are insured to replacement cost and for the loss of contribution margin. Within the EU, insurance is carried out by one of the Group's own companies, with external reinsurance for major damages. Outside the EU, SCA cooperates with market-leading insurance companies.															
Occurrence of unethical business practices and human rights violations																	
SCA works in some 100 countries and in environments where unethical business practices and violations of human rights may occur. If SCA becomes involved in these business practices, the company's reputation in the market may be damaged. SCA may also suffer fines and other legal sanctions. SCA works together with various business partners, such as customers, distributors, partners in joint ventures, suppliers and others. Differences in culture and ways of working between SCA and these partners can increase the risk mainly with regard to business ethics and consideration of human rights.	To ensure that SCA's organization lives up to the company's core values and is not drawn into or tied to unethical business practices, there has been a Code of Conduct established since 2004, which includes general rules for how the company conducts its business. The Code includes principles on business ethics, relationships with the employees, respect for human rights and the environment, and other areas. SCA's starting point is that SCA's Group policies, including its Code of Conduct and Sustainability Policy, must apply to all markets in which SCA conducts operations. Training of all of SCA's employees regarding the Code of Conduct takes place continuously. To ensure that SCA works with business partners that share these values, potential partners are evaluated before cooperation is initiated. The evaluation	comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics. Suppliers are expected to comply with SCA's Code of Conduct, which is regulated as a part of the supplier agreements. SCA uses a number of methods to monitor and safeguard the implementation of the Code of Conduct. These include due diligence in connection with acquisitions, risk evaluation of the company's own units and its suppliers, and regular on-site audits of SCA's units around the world and of suppliers deemed to have a higher risk level. More detailed information on the Code of Conduct and the work in 2015 is available in the Group's Sustainability Report.															
Suppliers																	
SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers could also cause problems for SCA through non-compliance with applicable legislation and regulations or by otherwise acting in an unethical manner.	To reduce this risk, SCA has supply contracts with several suppliers and continuously enters into agreements with various durations. The Group has a number of suppliers for essentially all important input goods. These contracts ensure deliveries of a significant proportion of input goods at the same time as the effects of sudden cost increases are limited. The Group also has more intensive cooperation with selected suppliers that covers the development of materials and processes. SCA continuously assesses all key suppliers to ensure that they fully comply with the Group requirements in all respects. The assessment may take the	form of a questionnaire, an on-site visit or the use of independent auditors. For essentially all important input goods, SCA assesses the following factors at current and potential suppliers: • Quality • Product safety • Impact on the environment, including the issue of the origin of the input goods • Use of chemicals • Compliance with SCA's Code of Conduct More information is available in SCA's Sustainability Report 2015.															

Risk	Policy/Action
Cost of input goods The market price of many of the input goods used in the manufacture of SCA's products fluctuates over time and this could influence SCA's earnings. Highest/lowest market prices (annual average) 2005–2015 per product  Index 175 150 125 100 75 50 25 0 ■ Pulp (NBSK, USD) — Average price for the period ■ Recovered paper (ONP/OMG) ■ Electricity (Nordpool)	
SCA must have access to skilled and motivated employees and safeguard the availability of competent managers to achieve established strategic and operational objectives.	The risk of price movements related to input goods and the impact of these on earnings can be managed in several ways. As a result of SCA's structure, a significant share of raw materials is produced within the Group and, consequently, price movements have a smaller impact on earnings. In 2015, 54% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills, and 24% of its pulp requirements were satisfied by the Group's own pulp production. Another method used to manage the price risk is by availing of financial hedges and long-term contracts. SCA is an energy-intensive company and hedges the energy price risk for electricity and natural gas. More detailed information on the energy price risk and management activities related to this is presented on page 80. Under normal circumstances, no other price risks related to input goods are hedged, although this could be carried out in exceptional cases. SCA has also begun building up its own energy operations based on the utilization of the Group's own holdings of forest land. More information on these operations is provided in the Group's Sustainability Report. A significant cost item comprises oil-based materials and other oil-related costs, such as transportation. The oil-based materials are principally used in Personal Care and generally as packaging material. When possible, these and other costs are managed principally through compensation in the form of raised prices for SCA's products, by adjusting product specifications or through streamlining of the Group's own operation. The impact of price movements on input goods can be delayed through purchasing agreements. SCA's relative costs for various key input goods are described on page 134. The price trend for a number of input goods is presented in the diagram to the left. SCA's strategic manpower planning secures access to people with the right expertise at the right time. Recruitment can take place both externally and internally, and internal recruitment and job rotation are facilitated by a job portal, where available positions are advertised both internally and externally. Salaries and other conditions are to be adapted to the market and linked to SCA's business priorities. An established succession planning program protects the operations. SCA strives to maintain good relationships with union organizations.
Legal risks	
New legislation in various countries could negatively impact SCA. Legal processes can be protracted and costly.	SCA monitors the development of legislation through its internal corporate legal staff and external advisors. Another important issue is the management of SCA's intellectual property rights (patents, trademarks, etc.), which is largely centralized. In the approximately 100 countries in which SCA conducts operations, local legal issues and disputes are handled through an extensive network of local legal advisors. SCA relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production and important business processes. Errors in the handling of financial systems can affect the company's reporting of results. These risks grow in an increasingly technically complex and interlinked world. SCA has established a management model for IT that includes governance, standardized IT processes and an organization for information security. The IT security work includes a continuous risk assessment, the introduction of preventive measures and use of security technologies. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-proven products, such as SAP.
IT risks	

Risk	Policy/Action												
Energy price risk Energy price risk is the risk that increased energy prices could adversely impact SCA's operating profit. SCA is exposed to price movements of electricity and natural gas, but the price of other energy commodities also directly and indirectly impacts SCA's operating profit.	SCA centrally manages the energy price risk related to electricity and natural gas. According to SCA's policy, these price risks can be hedged for a period of up to 36 months. Energy price hedging is effected through financial instruments and fixed pricing in existing supply agreements. SCA safeguards the supply of electricity and natural gas through centrally negotiated supply agreements with well-established suppliers. The portfolio of supply agreements shall be effectively spread to minimize SCA's counterparty risk. In 2015, SCA purchased about 8 TWh (7; 7) of electricity and about 8 TWh (8; 8) of natural gas. The graph displays SCA's price hedges in relation to forecast consumption of electricity and natural gas for the next three years. The graph includes financial hedges and hedging effected via supply agreements. Some of the Swedish electricity exposure is hedged for a longer period through supply agreements maturing in 2019. For further information concerning financial price hedges, see Note E6 Derivatives and hedge accounting. Energy price hedges in relation to forecast consumption, 12/31/2015  <table> <caption>Energy price hedges in relation to forecast consumption, 12/31/2015</caption> <tr> <th>Year</th><th>Electricity (%)</th><th>Natural gas (%)</th></tr> <tr> <td>2016</td><td>55</td><td>48</td></tr> <tr> <td>2017</td><td>28</td><td>18</td></tr> <tr> <td>2018</td><td>10</td><td>0</td></tr> </table>	Year	Electricity (%)	Natural gas (%)	2016	55	48	2017	28	18	2018	10	0
Year	Electricity (%)	Natural gas (%)											
2016	55	48											
2017	28	18											
2018	10	0											

Currency risk Transaction exposure Transaction exposure is the risk that exchange rate movements in export revenues and import expenses could negatively impact the Group's operating profit and the cost of non-current assets. Translation exposure Translation exposure is the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK. Long-term currency sensitivity The table below presents a breakdown of the Group's net sales and operating expenses by currency, which provides an overview of the Group's long-term currency sensitivity. The largest exposures are denominated in EUR, USD and GBP. The imbalance between sales and expenses in SEK is because the Swedish operations have a high proportion of exports that are invoiced in foreign currencies. <table> <tr> <th>Currency</th><th>Sales %</th><th>Costs %</th><th>Operating profit¹⁾ SEKm</th><th>Closing rate, December 31, 2015</th><th>Average rate 2015</th></tr> <tr> <td>EUR</td><td>40</td><td>36</td><td>9,128</td><td>9,1306</td><td>9,3498</td></tr> <tr> <td>USD</td><td>13</td><td>22</td><td>-7,380</td><td>8,3499</td><td>8,4214</td></tr> <tr> <td>GBP</td><td>10</td><td>5</td><td>6,230</td><td>12,3796</td><td>12,8745</td></tr> <tr> <td>CNY</td><td>8</td><td>4</td><td>4,869</td><td>1,2867</td><td>1,3406</td></tr> <tr> <td>SEK</td><td>5</td><td>15</td><td>-8,871</td><td></td><td></td></tr> <tr> <td>MXN</td><td>4</td><td>2</td><td>1,725</td><td>0,4832</td><td>0,5322</td></tr> <tr> <td>COP</td><td>3</td><td>3</td><td>204</td><td>0,0026</td><td>0,0031</td></tr> <tr> <td>RUB</td><td>3</td><td>2</td><td>918</td><td>0,1143</td><td>0,1391</td></tr> <tr> <td>Other</td><td>14</td><td>11</td><td>6,191</td><td></td><td></td></tr> <tr> <td>TOTAL</td><td>100</td><td>100</td><td>13,014</td><td></td><td></td></tr> </table> ¹⁾ Operating profit, excluding items affecting comparability. Transaction exposure Transaction exposure, resulting from exports and imports, can be hedged for a period of up to 18 months. Contracted future payments for non-current assets in foreign currencies can be hedged up to the full cost. The forecast net flow of currency against SEK amounts to SEK -10,844m (-9,856; -9,153) on an annual basis. At year-end, a net flow against SEK corresponding to one month of the forecast flow for 2016 was hedged. The majority of hedges mature during the first quarter of 2016. The forecast currency outflow in USD increased for 2016 and decreased in EUR due to a change in invoicing currency for pulp purchases in Europe. The forecast and hedges of the 2016 flows are shown in the table to the right. For further information relating to hedging of transaction exposure, see Note E6 Derivatives and hedge accounting.	Currency	Sales %	Costs %	Operating profit ¹⁾ SEKm	Closing rate, December 31, 2015	Average rate 2015	EUR	40	36	9,128	9,1306	9,3498	USD	13	22	-7,380	8,3499	8,4214	GBP	10	5	6,230	12,3796	12,8745	CNY	8	4	4,869	1,2867	1,3406	SEK	5	15	-8,871			MXN	4	2	1,725	0,4832	0,5322	COP	3	3	204	0,0026	0,0031	RUB	3	2	918	0,1143	0,1391	Other	14	11	6,191			TOTAL	100	100	13,014			Forecast and hedges relating to flows in 2016 <table> <tr> <th>Currency</th><th>Net flows SEKm</th><th>Currency inflows SEKm</th><th>Currency outflows SEKm</th><th>Hedged inflows %</th><th>Hedged outflows %</th></tr> <tr> <td>EUR</td><td>9,181</td><td>17,683</td><td>-8,502</td><td>1</td><td>0</td></tr> <tr> <td>CNY</td><td>4,375</td><td>4,375</td><td>0</td><td>0</td><td>0</td></tr> <tr> <td>GBP</td><td>4,088</td><td>4,738</td><td>-650</td><td>0</td><td>0</td></tr> <tr> <td>NOK</td><td>1,102</td><td>1,109</td><td>-7</td><td>0</td><td>0</td></tr> <tr> <td>RUB</td><td>995</td><td>1,034</td><td>-39</td><td>0</td><td>0</td></tr> <tr> <td>DKK</td><td>783</td><td>830</td><td>-47</td><td>0</td><td>0</td></tr> <tr> <td>PLN</td><td>727</td><td>2,018</td><td>-1,291</td><td>0</td><td>0</td></tr> <tr> <td>CHF</td><td>712</td><td>734</td><td>-22</td><td>0</td><td>0</td></tr> <tr> <td>JPY</td><td>611</td><td>615</td><td>-4</td><td>27</td><td>0</td></tr> <tr> <td>Other</td><td>2,606</td><td>6,274</td><td>-3,668</td><td>0</td><td>0</td></tr> <tr> <td>SEK</td><td>-10,844</td><td>8,750</td><td>-19,594</td><td>0</td><td>1</td></tr> <tr> <td>USD</td><td>-14,336</td><td>6,459</td><td>-20,795</td><td>0</td><td>0</td></tr> </table> For further information relating to hedging of translation exposure, see Note E6 Derivatives and hedge accounting.	Currency	Net flows SEKm	Currency inflows SEKm	Currency outflows SEKm	Hedged inflows %	Hedged outflows %	EUR	9,181	17,683	-8,502	1	0	CNY	4,375	4,375	0	0	0	GBP	4,088	4,738	-650	0	0	NOK	1,102	1,109	-7	0	0	RUB	995	1,034	-39	0	0	DKK	783	830	-47	0	0	PLN	727	2,018	-1,291	0	0	CHF	712	734	-22	0	0	JPY	611	615	-4	27	0	Other	2,606	6,274	-3,668	0	0	SEK	-10,844	8,750	-19,594	0	1	USD	-14,336	6,459	-20,795	0	0
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Financing of capital employed <table> <tr> <th>Currency</th><th>Capital employed SEKm</th><th>Net debt SEKm</th><th>Matching financing 2015 %</th><th>Matching financing 2014 %</th></tr> <tr> <td>EUR</td><td>24,097</td><td>6,436</td><td>27</td><td>21</td></tr> <tr> <td>CNY</td><td>14,140</td><td>4,723</td><td>33</td><td>13</td></tr> <tr> <td>USD</td><td>7,124</td><td>2,105</td><td>30</td><td>31</td></tr> <tr> <td>GBP</td><td>4,879</td><td>535</td><td>11</td><td>44</td></tr> <tr> <td>MXN</td><td>4,591</td><td>1,324</td><td>29</td><td>30</td></tr> <tr> <td>COP</td><td>2,284</td><td>629</td><td>28</td><td>14</td></tr> <tr> <td>RUB</td><td>1,657</td><td>398</td><td>24</td><td>45</td></tr> <tr> <td>Other</td><td>6,933</td><td>748</td><td>11</td><td>46</td></tr> <tr> <td>Total currencies</td><td>65,705</td><td>16,898</td><td>26</td><td>26</td></tr> <tr> <td>SEK</td><td>39,464</td><td>12,580</td><td></td><td></td></tr> <tr> <td>Total</td><td>105,169</td><td>29,478</td><td></td><td></td></tr> </table>	Currency	Capital employed SEKm	Net debt SEKm	Matching financing 2015 %	Matching financing 2014 %	EUR	24,097	6,436	27	21	CNY	14,140	4,723	33	13	USD	7,124	2,105	30	31	GBP	4,879	535	11	44	MXN	4,591	1,324	29	30	COP	2,284	629	28	14	RUB	1,657	398	24	45	Other	6,933	748	11	46	Total currencies	65,705	16,898	26	26	SEK	39,464	12,580			Total	105,169	29,478			For further information relating to hedging of translation exposure, see Note E6 Derivatives and hedge accounting.
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Risk		Policy/Action																						
Credit risk																								
Credit risk refers to the risk of losses due to a failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.	Credit risk in accounts receivable Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. The credit limit is set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be paid based on an individual assessment of each customer. Financial credit risk The objective is that counterparties must have a minimum credit rating of A– from at least two of the rating institutes Moody's, Fitch and Standard & Poor's. SCA strives to enter into agreements that allow net calculation of receivables and liabilities. Credit exposure in derivative instruments is calculated as the market value of the instrument. At year-end, the total credit exposure was SEK 9,152m (11,313; 9,807). This exposure also includes credit risk for financial investments in the amount of SEK 8,393m (9,985; 9,281), of which SEK 3,309m (6,034; 6,287) was attributable to	leasing transactions (see Note G3 Contingent liabilities and pledged assets). Credit exposure in derivative instruments amounted to SEK 759m (1,327; 526) at December 31, 2015. Ten largest customers' share of outstanding accounts receivable by business area  <table><tr><th>Business area</th><th>Share (%)</th></tr><tr><td>Personal Care and Tissue</td><td>25</td></tr><tr><td>Forest products</td><td>26</td></tr></table>	Business area	Share (%)	Personal Care and Tissue	25	Forest products	26																
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Liquidity and refinancing risk																								
Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.	To ensure good access to loan financing, regardless of the economy and at attractive terms, SCA strives to maintain a solid investment grade rating. SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's forecast annual sales. SCA limits its refinancing risk by having a good distribution in the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, considering unutilized credit facilities that are not liquidity reserves. Surplus liquidity should primarily be used to amortize external liabilities. SCA's policy is to not agree to terms that entitle the lender to withdraw loans or adjust interest rates as a direct consequence of movements in SCA's financial key figures or credit rating. The Group's financing is mainly secured by bank loans, bond issues and through issuance of commercial papers. The refinancing risk in short-term borrow-	ing is limited through long-term credit facilities from bank syndicates and individual banks with favorable creditworthiness. SCA's net debt decreased by SEK –6,469m in 2015. At year-end, the average maturity of gross debt was 3.4 years (2.5; 2.6). If short-term loans were replaced with drawings under long-term unutilized credit facilities, the maturity would amount to 4.7 years. Unutilized credit facilities amounted to SEK 18,583m at year-end. In addition, cash and cash equivalents totaled SEK 5,042m. For further information, see Note E3 Financial assets, cash and cash equivalents, and Note E4 Financial liabilities. Liquidity reserve <table><tr><th>SEKm</th><th>2015</th><th>2014</th><th>2013</th></tr><tr><td>Unutilized credit facilities</td><td>18,583</td><td>19,396</td><td>18,186</td></tr><tr><td>Cash and cash equivalents</td><td>5,042</td><td>3,815</td><td>3,785</td></tr><tr><td>Total</td><td>23,625</td><td>23,211</td><td>21,971</td></tr></table>	SEKm	2015	2014	2013	Unutilized credit facilities	18,583	19,396	18,186	Cash and cash equivalents	5,042	3,815	3,785	Total	23,625	23,211	21,971						
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Interest rate risk																								
Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA. SCA is affected by interest rate movements through its net financial income and expense.	SCA seeks to achieve a good spread of its interest maturity dates to avoid large volumes of renewals occurring at the same time. SCA's policy is to raise loans with floating rates, since it is SCA's opinion that this leads to lower interest expense over time. The interest rate risk and interest period are measured by currency and the average interest term shall be within the interval 3–36 months. SCA's net financial items decreased in 2015 as a result of a lower average net debt, which compensated for somewhat higher interest rates during the year. SCA's largest funding currencies are denominated in SEK and EUR; refer to the graph. To achieve the desired fixed interest period and currency balance, SCA uses financial derivatives. The average interest period for the gross debt, including derivatives, was 9.3 months (8.4; 9.8) at year-end. The aver-	age interest rate for the total outstanding net debt including derivatives, amounted to 2.90% (2.64; 2.92) at year-end. Gross debt distributed by currency  <table><tr><th>Currency</th><th>Gross debt (MSEK)</th></tr><tr><td>SEK</td><td>12,000</td></tr><tr><td>EUR</td><td>8,000</td></tr><tr><td>CNY</td><td>5,000</td></tr><tr><td>USD</td><td>3,000</td></tr><tr><td>MXN</td><td>1,000</td></tr><tr><td>COP</td><td>1,000</td></tr><tr><td>GBP</td><td>1,000</td></tr><tr><td>RUB</td><td>1,000</td></tr><tr><td>CLP</td><td>1,000</td></tr><tr><td>Other</td><td>1,000</td></tr></table>	Currency	Gross debt (MSEK)	SEK	12,000	EUR	8,000	CNY	5,000	USD	3,000	MXN	1,000	COP	1,000	GBP	1,000	RUB	1,000	CLP	1,000	Other	1,000
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