

This is SCA

SCA is a leading global hygiene and forest products company that develops and produces sustainable personal care, tissue and forest products.

PERSONAL CARE

SCA is a global leader in personal care and manufactures and sells incontinence products, baby diapers and feminine care products. Within these product segments, SCA also offers such products as wet wipes, soap, lotion, baby oil and cotton pads. The products are sold under SCA's global and regional brands, such as Libero, Libresse, Nosotras, Saba and TENA, as well as under retailers' brands.



30%

of SCA's net sales for 2015

And 29% of SCA's operating profit*



TISSUE

SCA is a global leader in tissue and manufactures and sells consumer tissue and Away-from-Home (AfH) tissue. The consumer tissue product portfolio comprises toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. In the consumer tissue segment, products are sold to retailers under SCA's own brands, such as Lotus, Tempo and Zewa, as well as under retailers' brands. In the AfH tissue segment, SCA develops and markets complete hygiene solutions, including tissue, soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, service and maintenance for institutions and companies, under the globally leading brand Tork.



55%

of SCA's net sales for 2015

And 52% of SCA's operating profit*



FOREST PRODUCTS

In the Forest Products business area, SCA manufactures and sells paper for packaging and print, pulp, solid-wood products and renewable energy. SCA is Europe's largest private forest owner and produces forest products with a strong environmental profile.



15%

of SCA's net sales for 2015

And 19% of SCA's operating profit*

*excl. items affecting comparability

EMPLOYEES



SALES – NUMBER
OF COUNTRIES



SALES
SEK BN



AWARDS AND MEMBERSHIP



About the report

SCA's annual Sustainability Report outlines the Group's sustainability efforts during the 2015 calendar year from an environmental, social and economic perspective. The report has been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative (GRI), Core option, and is also SCA's Communication on Progress to the UN Global Compact. The report has been reviewed in its entirety by PwC. For further information regarding the Sustainability Report and its reporting principles, see page 65.

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SCA's initiatives and results have gained recognition – SCA is included in a number of sustainability indexes and has received several prestigious awards.

SCA plays an active role in leading organizations at the global, regional and local level with the aim of contributing to a sustainable future for companies, society and the environment.

Good for society, good for business

Magnus Groth looks back on an eventful first year as President of SCA. When he and SVP Group Sustainability Kersti Strandqvist discuss the current and future role of SCA, they both agree that long-term value can only be created if the company simultaneously creates value for its operating environment.

There are many different interpretations of what sustainability really means. What is your interpretation?

MG: If we succeed in turning social challenges into business opportunities, we will create the conditions for profitable growth. Global warming is one of the most serious problems in the world today, and SCA is committed to finding climate-change and energy-efficiency solutions. Our investment in a new biofuel plant in Nokia, Finland, is a good example of how we create value both for SCA and for society (see pages 28–29). The investment is increasing operational efficiency and reducing our energy costs, while carbon emissions have fallen by 40%.

KS: Sustainability is part of our business model and an integral part of our busi-

ness strategy. We must have systems and processes to integrate sustainability into the operations. We do this, for example, by including our targets for people and nature – as well as our financial targets – in our business plans. We have also introduced a procedure for reporting data for carbon emissions and health and safety at our Executive Management Team meetings, which places a new focus on these issues. Safety is always at the top of the agenda and we held our first global Safety Week this year, which was also a great success (see page 22).

How does SCA create value for society?

MG: The link between health and hygiene and growing prosperity is crystal clear. The United Nations, for example, claims that every dollar invested in water and san-

itation has a return on investment of nine dollars from a socioeconomic perspective. Our incontinence solutions improve people's quality of life, while freeing up time for caregivers and relatives. If people can work, or receive care at home instead of an institution, costs to society are substantially reduced.

KS: Handwashing is an effective and cheap way to prevent the spread of disease. In some countries it is actually critical and we conduct regular educational handwashing initiatives. For example, SCA and Vinda implemented a program in China during the year that used the "Ella's handwashing adventure" app to teach preschoolers and households about the importance of hand hygiene. We also teach young girls about menstruation and puberty. This helps to break the taboo around menstruation that prevents girls and women from going to school or their work in some countries.

2015 was a year with a focus on sustainability. The UN adopted 17 Global Goals for Sustainable Development and, at the COP 21 climate change conference in

We will revise our objectives and priorities based on even more ambitious goals than before."



Magnus Groth visiting SCA's forest products operation in Sundsvall.



The number of people who have to share the earth's resources is increasing."

Paris, the global community agreed to limit the global temperature increase to 1.5 degrees Celsius. What does this mean for the business sector and for SCA?

MG: No government can achieve the global development goals on its own. Businesses, organizations and authorities must find new ways of working together. All 17 UN goals are relevant to SCA, but particularly those related to health, well-being, sanitation and responsible consumption and production.

KS: It is very positive that the global community could approve a climate-change agreement, but only countries, cities, business and people can reduce emissions – not an agreement. SCA has clear targets

for carbon emissions, biofuel production and wind power. At the climate-change conference in Paris, SCA drew attention to the unique ability of the forest and forest products to store CO₂ and how active forest management helps to limit global warming.

Business ethics is an increasingly important area. During the year, suspicions emerged that SCA had participated in cartels in Chile and Colombia. Would you like to make any comments on that?

MG: Firstly, I would like to point out that we do not tolerate any form of illegal price fixing. In reference to these particular cases, we are cooperating with the authorities and providing all of the requested information.

We have worked, and continue to work, intensively to minimize risks of unethical behavior in our operations and during the year, we worked hard with anti-trust training.

KS: We have committed to supporting the Ten Principles of the UN Global Compact, which also entails a major responsibility. We have also taken further steps in our work related to supplier assessments by delving deeper into the supply chain.

Any thoughts about 2016?

KS: The number of people who have to share the earth's resources is increasing, which is why the EU's proposed action plan for a circular economy is welcome. SCA works continuously to improve resource efficiency, with programs such as ESAVE (see page 49) and life cycle assessments, but we must be even better at identifying waste solutions, particularly for post-consumer waste.

MG: We will continue to develop innovative solutions that make life easier for as many people as possible, and where the new product is better than its predecessor in terms of sustainability and functionality. We achieved our targets for health and safety as well as those we set for water, and we reduced our carbon emissions by 17.4%. We have developed new targets for health and safety, water usage and fiber sourcing and, during 2016, we will revise our objectives and priorities and raise our ambitions ever further.



Kersti Strandqvist participating in a menstrual hygiene management training course for young girls in Sanya, China.

Care and respect for people and nature

are central to SCA's way of working

1

Trends and drivers

Global macrotrends, from population growth and higher living standards to resource scarcity and climate change, have a major impact on SCA's business operations. We have identified a number of macro-economic drivers that we believe are most relevant to our business. By analyzing our operating environment and these drivers, we can leverage opportunities and avoid the risks associated with them.

The macrotrends that we have identified as most relevant to our operations are:

- The world's growing and ageing population.
- The global poverty reduction and a growing middle class.
- The large proportion of the world population with no access to hygiene and sanitation.
- A world that is changing as a result of, for example, globalization, urbanization, political decisions, a global economy and legislation.
- Changes in customer and consumer behavior due to such factors as sustainable consumption, digitalization and increased brand awareness.
- Climate change.
- Resource scarcity, as more and more people have to share the earth's resources.

The macrotrends above are described in more detail on pages 10–11 of the Annual Report.

2

Dialog with the world

Millions of people across the globe have an impact on, and an interest in, our business. We have to act in harmony with the society in which we operate in order to be relevant, and a continuous and responsive dialog with our stakeholders helps us understand the expectations on us as a company and how we can continuously develop and improve. It also helps us to understand the needs of our customers and consumers, build long-term relationships and to formulate and implement our business strategy. *Read more on page 35.*

3

Our crossroads

Our materiality analysis highlights the issues that are significant to SCA and our stakeholders. It forms the basis of SCA's strategy and sustainability program. The analysis is based on a survey of 1,100 internal and external stakeholders. *Read more on page 37.*



4 Strategy

SCA's strategy is based on a sustainable business model in which value creation for people and nature is a condition for growth and profitability. We believe this approach ensures success both in the short and long term. SCA's sustainability strategy is a natural part of the business strategy, which is based on the strategic priorities of profitable growth, innovation and efficiency. SCA has developed a number of sustainability ambitions that describe where we want to be and how we want to be perceived in the long term.

People ambitions

We are creating a position as one of the world's most credible companies by delivering sustainable growth and value for our stakeholders.

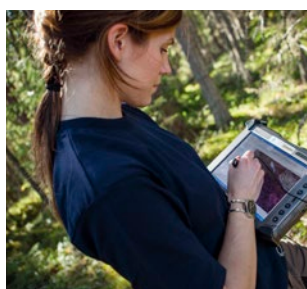
We improve hygiene standards worldwide with our hygiene solutions. For the millions of existing users of our products and services, and for the billions of people in emerging markets, we develop innovative solutions that make it easier to live healthy, sustainable lives.

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



Nature ambitions

We deliver sustainable solutions with added value for our customers from a safe, resource-efficient and environmentally adapted value chain including purchasing, production and R&D.



We combat climate change and minimize our impact on nature through a combination of new innovations and technologies, efficiency improvements, consumer initiatives and carbon uptake in our forests.

We are committed to biodiversity in our forests and have agreed to manage and use them responsibly. We strive to maximize the value that our forests bring to our ecosystem, climate, customers and society, through a combination of innovation, efficiency improvements and wise and long-term management.

5 Targets and outcomes

SCA has established Group-wide financial, people and nature targets. Ambitious, clear targets drive and govern the business and make it easier for the surrounding world to understand how sustainability work contributes to our business. In 2015, we developed new targets for health and safety, fiber sourcing and water. *Read about the outcome of these targets on pages 8–9, and about the new targets on pages 45, 51 and 52.*

People targets

People & Nature Innovations	Employee Health & Safety
Hygiene Solutions	Code of Conduct

Nature targets

Climate & Energy	Fiber Sourcing & Biodiversity
Water	

Financial targets

Return on Capital Employed	Capital Structure
Growth	

Targets and outcome



People & Nature Innovations

TARGET

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

OUTCOME 2015¹⁾

43% of SCA's innovations improved in terms of social and/or environmental criteria. Examples of SCA's people and nature innovations include TENA Flex, TENA Pants, TENA Slip, TENA Comfort with ConfioAir, TENA Identifi, Tork EasyCube, Libero Touch and Arcwise.

Status: ●

Share of people and nature innovations

43%

Read more on pages 14–15 and 40–41.



Hygiene Solutions

TARGET

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

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

OUTCOME 2015¹⁾

SCA held the number one or two position in at least one hygiene product segment in about 90 countries.

Around 500 million people used SCA's products every day.

The hygiene educational programs SCA conducts worldwide reached 2,000,000 people.

We offered a broad portfolio of products ranging from the premium segment to the economy segment.

Status: ●

Millions of people who used SCA products every day

500

Read more on pages 16–19 and 41.



Code of Conduct

TARGET

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

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

OUTCOME 2015¹⁾

91% of employees have received Code of Conduct training.

Status: ●

84% (75) of SCA's global hygiene supplier base and 86% (83) of the forest product's supplier base had signed the SCA Global Supplier Standard.

Status: ●

Employees trained in the Code of Conduct

91%

Read more on pages 20–21 and 42–44.



Employee Health & Safety

TARGET

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

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

OUTCOME 2015¹⁾

The accident frequency was 6.3 (6.7) per million hours worked, a decrease of 6%. Compared with the reference year of 2011, the decline was 31%.

Status: ●

By the end of 2015, 68% (52) of SCA's 65 main sites were certified according to OHSAS 18001.

Status: ●

Reduction in accident frequency rate

-6%

Read more on pages 22–23 and 45–46.

¹⁾ Excluding Vinda

Measurable targets and follow-up are key drivers for SCA's sustainability programs. Transparent targets makes it easier for internal and external stakeholder to monitor progress.

Status:

- = Not according to schedule
- = Not according to schedule, actions identified
- = According to schedule



Climate & Energy

TARGET

We will reduce CO₂ emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.

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

The production of wind power on SCA forest land will increase to 5 TWh by 2020.

OUTCOME 2015¹⁾

At year-end 2015, CO₂ emissions in relation to the production level had declined by 17.4%, compared with the reference year of 2005.

Status: ●

SCA's production of biofuel from its own forests amounted to 610 GWh (687).

Status: ●

Wind energy from SCA forest land totaled 1.9TWh (1.1).

Status: ●

Reduction in CO₂ emissions

-17.4%

Read more on pages 26–29 and 49–50.



Fiber Sourcing & Biodiversity

TARGET

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

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

OUTCOME 2015¹⁾

All deliveries of pulp to SCA's facilities meet the requirements of the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.

Status: ●

7% of SCA's productive forest land has been set aside from forestry in the long term in our ecological landscape plans. In 2015, 14% of the area in planned harvesting sites was set aside for preservation.

Status: ●

Productive forest land set aside from harvesting

14%

Read more on pages 30–31 and 51–52.



Water

TARGET

We aim to achieve water sustainability and we will reduce our water usage in water-stressed regions by 10% by 2015, with 2010 as the reference year.

All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.

OUTCOME 2015¹⁾

By year-end 2015, water usage in water-stressed regions in relation to the production level had declined by 18.7%, compared with the reference year of 2010.

Status: ●

Mechanical and biological effluent treatment systems have been installed at all of the Group's 43 pulp and paper mills.

Status: ●

Reduction in water usage in water-stressed regions

-18.7%

Read more on pages 32–33 and 52.



Financial Targets

TARGET

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

Personal Care is to deliver annual organic growth of 5–7%, while the figure for Tissue is 3–4%. Forest Products is to grow in line with the market.

SCA is to maintain a solid investment grade rating.

OUTCOME 2015

The overall return on capital employed, excluding items affecting comparability, was 12% (11). The return on capital employed was 29% for Personal Care, 13% for Tissue and 7% for Forest Products.

Personal Care achieved organic growth of 7%, Tissue 5% and Forest Products 3%.

SCA had a solid investment grade rating.

Return on capital employed

12%

Read more on page 30–31 in the Annual Report.

* Controversial sources are defined as:

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

Integrated business model

Our business model and strategy aim to deliver value for our stakeholders. SCA creates value based on the inflows, or capital, described below. An understanding of the surrounding world and dialog with our stakeholders help us to make the right priorities throughout the value chain. This enables us to maximize the positive value for our stakeholders while minimizing the negative impact.

