

Strategic approach

Stakeholder dialog

SCA's stakeholder dialog helps us understand the needs and expectations of stakeholders and to develop long-term relationships. It also provides valuable input for continuous improvements and ways of working.

We seek to actively engage with customers, consumers, suppliers, employees, investors, media, NGOs, governments, politicians, decision makers, regulators and academics. An active stakeholder dialog is a means of ensuring that our priorities and methods are relevant in today's society.

Customers

SCA has a broad product portfolio and many different customers, both end-consumers and customers such as the retail trade, distributors, printing houses and health and medical care services. All SCA business units maintain a close dialog with their customers and follow up customer satisfaction through surveys, face-to-face meetings and third-party assessments.

In-depth consumer insights reveal areas of improvement. SCA conducts market and consumer surveys, visits consumers' homes to learn about their lives and interests, and arranges focus groups to gain insights into consumer preferences, behaviors and attitudes. Valuable insights are also gained through SCA's many phone lines for consumer contact and through customer service's handling of queries and complaints. Read more on page 40.

Other

SCA regularly meets investors and analysts, including social responsible investors (SRIs). It conducts employee surveys and employee performance management reviews. Moreover, SCA communicates with other groups and individuals in matters that have a major impact on society in general and local communities in particular. SCA regularly meets with NGOs, journalists and people living close to the Group's mills.

In Northern Sweden, there is an ongoing dialog in relation to SCA's wind power investments. SCA's wind farms are generally located in sparsely populated areas, but there have still been local protests against some of the wind farms. SCA arranges regular information meetings, open to all stakeholders.

In early 2015, SCA was criticized in Swedish media for its use of business air travel, and for the company's hospitality hunts. Two independent audits were commissioned that showed no indications that the company had breached any legislation or internal policies. The criticism led to the resignation of both the Chairman and the President of SCA.

SCA is a member of several networks, including the UN Global Compact, the Consumer Goods Forum and a number of different national and regional industry organizations. SCA participates in the WWF Environmental Paper Company Index, and SCA Forest Products participates in the WWF Global Forest & Trade Network (GFTN). In December, together with the Water Supply & Sanitation Collaborative Council (a UN organization), SCA led a seminar during the Global Child Forum in Stockholm, which brought together 500 influential decision makers from business, governments, civil society and academia.

SCA works actively to build partnerships with policy makers in countries where new healthcare systems are under development. In 2015, SCA and Vinda participated in a roundtable discussion with a delegation from the China National Committee on Aging (CNCA) on how China's aging population could be provided with appropriate healthcare. When the Swedish Prime Minister, Stefan Löfven, visited China in March, SCA was one of the Swedish companies invited.

In October, representatives from SCA, Vinda and the Chinese city of Jiangmen signed a memorandum of understanding (MoU) concerning the joint development of a pilot program for elderly care in Jiangmen.

SCA also works to raise awareness of incontinence as a medical condition, and to contribute to better conditions for people who suffer from incontinence within the scope of the health and medical care systems in various countries. One important platform for communication is through the Global Forum on Incontinence (GFI). GFI is a global platform for education and

debate on incontinence for stakeholders, such as medical experts, politicians and payers. The sixth GFI Conference will take place in Berlin in 2016.

Every alternate year, the European Association of Directors for Long-Term Care Services for the Elderly (EDE) hosts a conference. In 2015, incontinence care was on the agenda for the very first time and SCA was invited to speak.

In December, the EU presented its new circular economy package, with a goal to make Europe more competitive and resource-efficient. The action plan will affect several sectors, including waste management, and SCA is aware of the need to pinpoint solutions in this area while working with others and in its operations to find ways to achieve a more circular society. During the year, SCA played an active role in a project initiated by the Royal Swedish Academy of Engineering Sciences (IVA), in which the goal was to develop resource-efficient business models to support a faster adoption of the circular economy.

SCA encourages sustainable forest management and supports both international certification schemes for forests and wood raw materials, Forest Stewardship Council (FSC®) and the Programme for the Endorsement of Forest Certification (PEFC®). SCA also works to raise awareness of how active forest management and increasing the use of forest products can help to combat climate change, and presented this solution at the COP21 UN climate change conference in Paris.

Stakeholder group	Main areas	How we work with the issues/Activities in 2015 (page reference)
Customers	Carbon footprint Ecolabelling Working conditions Fiber sourcing Human rights compliance Customer insight Innovation	Customer surveys (40) People and nature innovations (14, 40) Hygiene solutions (16, 41) Global supplier standard (21, 44) CO ₂ targets (26, 49) Sourcing targets (30, 51) FSC® and PEFC™ certification (30, 51) Life cycle assessments (40) Code of Conduct audits and Business Practice Reviews (42–44) Human rights assessments (43)
Consumers	Impact of products on nature, for example, carbon footprint, ecolabelling Product safety Consumer insight Innovation	Consumer surveys and focus groups (40) People and nature innovations (14, 40) Hygiene solutions (16, 41) Life cycle assessments (40) Product safety (41) Eco Actions (www.libero.se/Eco-Actions , www.libresse.com , www.tena.com)
Employees	Recruitment and succession planning Training Compensation and benefits Business ethics Health and Safety Working conditions	Code of Conduct training (42) Human rights assessments (43) OHSAS 18001 certification (46) Diversity survey (47) Global Performance Management System (47) Global All-Employee Survey (48)
Investors	ESG (Environment, Social, Governance) integration into business strategy Resource efficiency Risk management	Investor/analyst meetings (39) Conference participation (39) Inclusion in sustainability indexes and funds (39) ESAVE (49) Risk analysis (AR 76)
Suppliers	Supplier audits Raw material sourcing Human rights	Sourcing targets (30, 51) Global supplier standard (44) Sedex reporting (42, 44) Code of Conduct supplier audits (44–45)
Stakeholder organizations	Forest management CO ₂ emissions Energy utilization Water consumption Human rights	Stakeholder dialogs (35) Membership in industry initiatives and organizations such as WBCSD, Consumer Goods Forum, FSC, etc. (www.sca.com)
Society	Health and hygiene Environmental issues Local issues Human rights Community involvement	Hygiene solutions (19, 41) Public affairs (35) Ongoing dialog with policymakers, authorities and local communities (35) Hundreds of community involvement initiatives (24, 48)

SCA's materiality analysis

The materiality analysis provides insight into the issues that are significant to SCA's stakeholders and forms the basis of the company's strategy and operations.

SCA conducts a materiality analysis biennially, with the most recent conducted in 2015. A total of 1,100 customers, consumers, suppliers, investors, representatives of the media and stakeholder organizations as well as SCA employees participated in the online survey that formed the basis of the materiality analysis.

SCA previously conducted materiality analyses in 2008, 2010, 2012 and 2013. While the analyses performed between 2008 and 2012 were focused on sustainability, the 2013 and 2015 analyses took a broader approach. Stakeholder opinions are highly significant to SCA's strategic priorities, which is why the scope has been broadened beyond environmental and social aspects, and now encompasses the entire operation. The results are also included on page 12 of the Annual Report.

The selection of subject areas to be included in the materiality analysis was guided by such governing documents as the Global Reporting Initiative, the UN Global Compact, SCA's Code of Conduct and on the basis of SCA's own assessment. The 2015 survey included 20 topics and all selected areas are material for SCA. Two topics – transparency and digital excellence – were new in this year's survey. Transparency is defined as open communication and accountability, and digital excellence as digital strategy and related activities to maximize business benefit. Financial risks was replaced with risk management. The respondents were able to select the ten areas they considered to be most important from the list of 20. The stakeholders' order of priority of the areas was combined with SCA's own assessment of how important the areas are to the company's business strategy and were placed in the materiality analysis as coordinates. The stakeholder groups' results were weighted to provide a balanced view of the results. SCA's own assessment was based on the evaluation of the top 150 senior executives.

There is a high degree of consensus between the views of stakeholders and those of SCA in terms of the material areas, with innovation, customer satisfaction and business ethics receiving a clear top ranking. The group that deviates somewhat comprises investors and analysts, who instead rank corporate governance in second place, while customer and consumer satisfaction is ranked fifth. The results of the survey

appear to be reasonable and relevant and provide us with a basis for our strategy and operations, and for the content of the Annual Report and Sustainability Report.

The factors considered most material to SCA's stakeholders

1	Innovation
2	Customer and consumer satisfaction
3	Business ethics
4	Transparency
5	Health and Safety
6	Human rights
7	Resource efficiency
8	Forest assets
9	Corporate governance
10	Product safety
11	Supply chain efficiency
12	Human capital
13	Carbon emissions
14	Brands
15	Market positions
16	Risk management
17	Water use and water purification
18	Distribution
19	Post-consumer waste
20	Digital excellence

1. Innovation is ranked number one by stakeholders and SCA, which confirms the relevance of the choice of innovation as one of SCA's strategic priorities. The aspect of sustainability is integrated in the innovation process, and we launched some 30 innovations in 2015.

2. Customer and consumer satisfaction is assessed as the most important area by SCA's customers and consumers and as the second

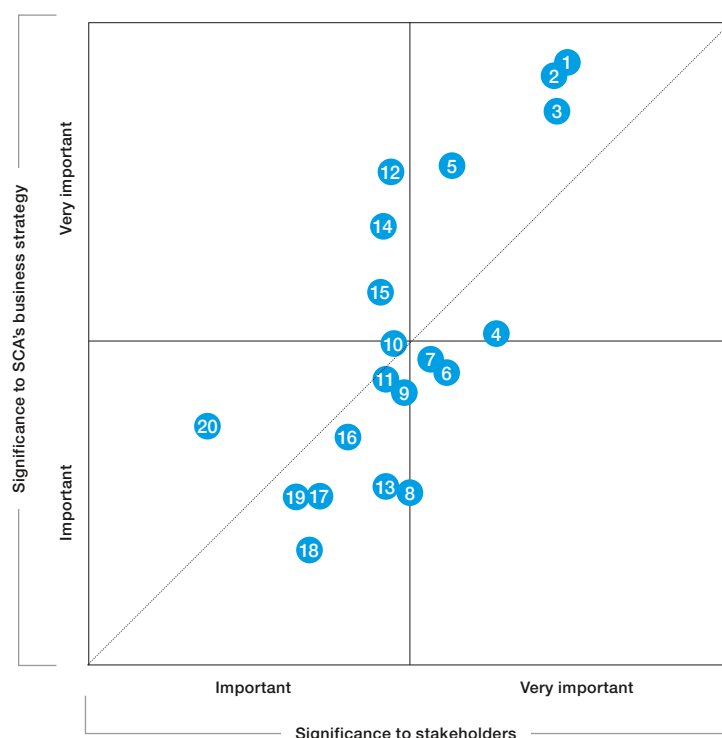
most important by other stakeholders. We conduct regular customer and consumer surveys and feed back opinions and complaints to the business as a basis for improvements.

4. Transparency is a new topic in this year's survey, and stakeholders value transparency higher than SCA. This may be because SCA already considers itself to be a transparent company, but could also be because stakeholders include product safety in transparency. Product safety fell from fourth to tenth place in this year's survey.

8. Forest assets are assigned greater importance by stakeholders than by SCA. One explanation for this may be that stakeholders see the forest from a global deforestation perspective, while we refer to our own, sustainably managed forest assets in Sweden.

12. Human capital is assigned less importance by stakeholders than by SCA. It appears reasonable that we have greater insight into how crucial employee attitudes and expertise are to the Group's success. Our All Employee Survey provides valuable knowledge about employee opinions and constitutes a tool for improvement activities.

13. Stakeholders assign greater importance to CO₂ emissions than SCA does. This may be because climate change is a global issue and involves the survival of our planet, while SCA views CO₂ from a corporate perspective. SCA has established ambitious CO₂ targets and owns a forest holding that net absorbs 2.6 million tons of CO₂.



The materiality analysis is a tool used to understand the issues that are most important and relevant to SCA. The horizontal axis shows the degree of importance stakeholders attach to the various topics, while the vertical axis represents SCA's assessment of how important the topics are to our business strategy and operations. In most cases, the assessments of stakeholders and SCA coincide.

Systematic approach and results

Economic value creation

Management approach

SCA's overall management approach to economic value creation is based on the premise that maintaining financially sound business operations is dependent on these operations being environmentally and socially sound. At the same time, economic strength and stability is a prerequisite for environmental investments and socially responsible decisions that generate long-term financial growth. SCA's aim is to achieve maximum value for its shareholders and other stakeholders, with minimum adverse effects. SCA has a number of policies and management systems in place to achieve and follow up its economic value creation. This chapter describes SCA's work related to its most important economic and financial aspects.

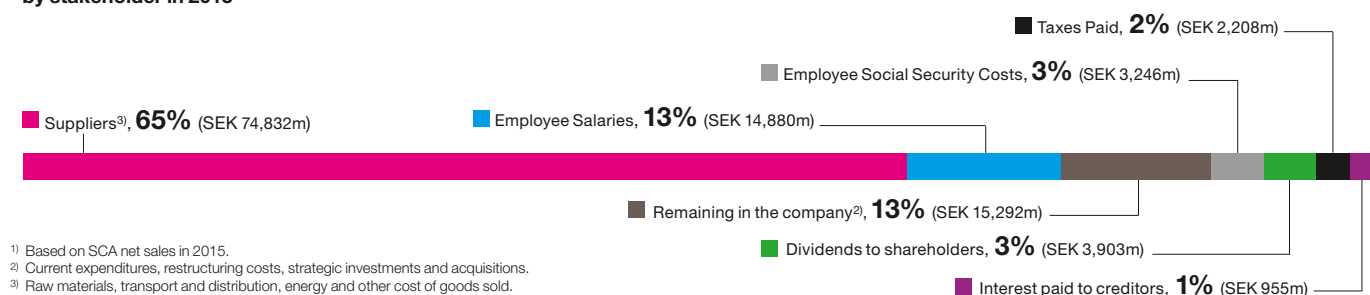
Strategic components

Policy	Sustainability Policy Code of Conduct
Targets and KPIs	Financial targets People and nature innovations Hygiene solutions
Data	See Annual Report See Life cycle assessment
Management systems, programs and certifications	IFRS Innovation processes Life cycle management
External charters or initiatives	UN Global Compact

Economic value creation 2015

Sustainability forms an integral part of SCA's business strategy and promotes the creation of economic value for employees, suppliers, society and shareholders.

Economic value creation by stakeholder in 2015¹⁾



¹⁾ Based on SCA net sales in 2015.

²⁾ Current expenditures, restructuring costs, strategic investments and acquisitions.

³⁾ Raw materials, transport and distribution, energy and other cost of goods sold.

Economic performance indicators

In 2015, SCA's net sales totaled SEK 115,316m (104,054), a year-on-year increase of 11%. Personal Care grew by 11% and emerging markets accounted for 43% of sales. Net sales in Tissue rose 13% and emerging markets accounted for 32% of sales. Net sales in Forest Products rose 5%. Operating profit for the Group, excluding items affecting comparability, grew 10% to SEK 13,014m (11,849).

Employees

SCA offers its employees development opportunities and remuneration based on market rates. Remuneration comprises salary, pensions and other benefits.

SCA's remuneration policy stipulates that the company is to offer competitive compensation. SCA follows local remuneration structures, provided they don't conflict with internationally established rules for minimum wages and reasonable compensation. In all the reporting countries, SCA pays above the legislated minimum salaries. On average, entry salaries are 9% above minimum salaries. In France, Germany and Sweden (the wholly-owned subsidiaries with most employees) the average salary for women in relation to men is 101%, 94% and 96%, respectively. In 2015, salaries totaled SEK 14,880m (13,592), and social security costs, including pension costs, amounted to SEK 3,246m (2,929).

The Group's pension costs totaled SEK 1,403m (1,179) and comprised costs for defined-benefit and defined-contribution pension plans. The defined-benefit plans are based on length of service and the employee's salary on the date of retirement and, in 2015, the net cost

was SEK 669m (541). The cost of defined-contribution plans amounted to SEK 734m (638). More information is available in Note C1 and Note C5 in SCA's 2015 Annual Report.

When SCA acquires companies or enters into a joint venture in emerging markets, the company adopts an approach that involves great respect for the local management's in-depth knowledge of the market and prevailing conditions. Accordingly, to the greatest possible extent, the management is retained while SCA adds knowledge about innovation, brands, technology and economies of scale. Local growth creates local jobs.

Suppliers

SCA strives to promote long-term relationships characterized by transparency, high quality and financial stability. We support our suppliers and work together with them to improve their overall performance in such areas as quality, safety, the environment and social responsibility.

Global commodities, such as pulp, superabsorbents, electricity and chemicals, are purchased centrally while other input goods, such as wood, are procured locally and thus contribute to local suppliers and local industry. Almost all of the fresh fiber purchased for the Swedish mills is locally sourced.

In 2015, the cost of purchased raw materials and services totaled SEK 74,832m (67,559), making sourcing SCA's single largest cost item, corresponding to 65% (65) of sales and a key investment in the value chain.

Society

SCA creates job opportunities and tax revenues in the local economies where the Group oper-

ates. In 2015, the tax expense, excluding items affecting comparability, was SEK 3,306m (2,644). The reported tax expense corresponds to a tax rate of 27.4%. In addition, SCA's total tax contribution includes social security costs, property taxes, energy and VAT. SCA assumes a long-term and responsible approach, voluntarily committing to promote and develop local communities through a number of community relations initiatives with a focus on health, hygiene and education, see pages 24 and 25.

Our global tax principles

SCA acts at all times in accordance with all applicable laws and is guided by relevant international standards such as OECD's guidelines for multinational enterprises, the UN Global Compact and The United Nations Guiding Principles on Business and Human Rights (the UNGPs). We aim to comply with the spirit as well as the letter of the law, and to ensure that we pay the appropriate amount of tax in each country in which we operate. We do not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial substance or fail to meet the spirit of local or international law. Where states have weak or poorly constructed fiscal regulation and/or institutions, this should not be used to gain tax advantages that were not intended by the law. Secrecy jurisdictions or so-called tax havens are not used for tax avoidance.

We understand the value of our financial reporting to investors and society, and work to provide transparent and balanced disclosure in communicating our tax affairs.

SCA has systems in place to ensure compliance with the above principles. We provide relevant training for employees and offer them opportunities to raise concerns via SCA's Complaint procedure.

The tables below show SCA's total tax contribution by region and tax paid in different countries.

Shareholders

Sustainability, with an emphasis on business value, is part of SCA's investor dialog. In 2015, SCA met with SRIs (Socially Responsible Investors) on several occasions, and participated in SRI investor conferences in Paris and Frankfurt.

Investors with sustainability criteria hold at least 14% (14) of SCA's shares, according to a study conducted by the ESG (environment, social, governance) rating company Vigeo. This

figure includes both investors with a best-in-class approach and investors who conduct some form of sustainability screening. In 2015, Vigeo conducted a benchmark study in which SCA was compared with two key peer consumer products companies and one Swedish large-cap company recognized as a sustainability leader. SCA had a significantly higher share of investors with sustainability criteria than its peers and on par with the sustainability leader. SCA's share was included in 131 (128) sustainability funds in 2015. Most of these are domiciled in the Netherlands, followed by Sweden, the United States and Germany. Of these, 39 had invested more than 3% of their assets in SCA shares.

Share performance

SCA generates shareholder value through dividends and share price appreciation. SCA aims to provide long-term stable and rising dividends to its shareholders. When cash flow from current operations exceeds what the company can invest in profitable expansion over the long term – and under the condition that the capital structure target is met – the surplus shall be distributed to the shareholders.

The Board has proposed a dividend of SEK 5.75 (5.25) for 2015, an increase of 9.5%. Over the past five-year period, the dividend has increased by an average of 7.5% annually.

During the year, the SCA share price rose by 46% to a closing price of SEK 246.50. In comparison, the OMX Stockholm 30 Index declined by 1%.

At year-end 2015, SCA had 77,184 registered shareholders.

Satisfied customers and consumers

Customer understanding and consumer insight are at the core of determining which products and services SCA develops and how it delivers innovations to the market. Customer and consumer satisfaction is a measure of how well these products and services meet or exceed customer and consumer expectations.

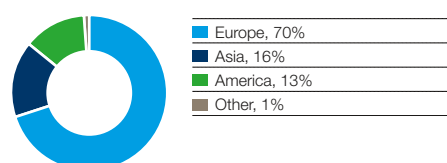
Some of SCA's initiatives to achieve customer understanding and consumer insight are listed below:

- Monitoring macro trends to identify changes in behavior
- Home visits
- Focus group meetings
- In-depth interviews
- Interviews with SCA sales representatives
- Monitoring activities on SCA's online and social media sites

Indexes and funds

- The Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index. SCA was also named industry leader in the Household Products sector.
- The Ethisphere Institute's list of the world's most ethical companies.
- The FTSE4Good index series, which measures earnings and performance among companies that meet globally recognized norms for corporate responsibility. SCA has been included in the index since 2001 and was awarded the highest rating in its industry.
- The Climate Disclosure Leadership Index (CDLI), which recognizes companies with the most transparent carbon reporting practices and that show proven ability to tackle climate change. SCA achieved the highest score possible: 100.
- SCA was recognized by the WWF for leadership in transparency for disclosing its ecological footprint in the WWF Environmental Paper Index 2015. SCA improved its scores in all categories compared with the latest survey in 2013.
- Vigeo assesses companies' environmental, social and governance (ESG) performance. SCA is included in the following sustainability funds of Vigeo: Ethibel Sustainability Excellence Europe and Ethibel Sustainability Excellence Global.
- EPCI Euro Ethical Equity and EPCI Global Ethical Equity.
- The OMX GES Sustainability Nordic and OMX GES Sustainability Sweden.

Tax paid by region 2015



Tax paid

Tax payments by SCA units in different countries

SEK m				
Country	2015	2014	2013	
Germany	-358	-271	-179	
France	-306	-264	-116	
China	-236	-51	-2	
Mexico	-121	-107	-37	
UK	-115	-92	-20	
Austria	-100	-60	-96	
Spain	-90	-90	-80	
Italy	-87	-77	-82	
Belgium	-80	-91	-92	
Sweden	-79	-65	-99	
Other countries	-636	-933	-938	
	-2,208	-2,101	-1,741	

Customer surveys

Customer feedback enables SCA to offer better products and solutions. Every business unit has methods to investigate customer satisfaction.

The hygiene operations conduct a systematic customer follow-up. This includes both external reports and independent surveys. SCA has introduced global systems for customer feedback in the incontinence and tissue operations. In 2015, SCA conducted 3,498 customer follow-ups in the incontinence operations. The AfH (Away-from-Home) business conducts customer surveys every second year and in 2014, 1,218 customer follow-ups were conducted. SCA has introduced the Net Promoter Score concept in approximately 75% of its hygiene business.

SCA also offers knowledge and support for the development of operations at such institutions as nursing homes, where SCA can make a difference and create value for its customers and users. SCA places high value on opportunities for direct customer contact.

The retail trade accounts for a significant part of SCA's sales. The Group uses external comparison reports in which the largest retail chains assess their suppliers based on customer service, logistics, sales support, marketing and product development. Consumers who purchase retail products are followed up through general brand and product recognition surveys.

Complaints procedures

SCA has a global SAP-based complaint handling system that was introduced in 2011. The Group seeks to compensate unsatisfied customers directly and determine whether a need exists for further measures beyond the individual case. For example, production personnel receive feedback to determine whether a production fault was the underlying cause. User complaints and opinions provide valuable consumer insight and it is important that the knowledge gathered is transferred to the organization.

Complaints have remained at a stable and low level for the past two years. For Personal Care products, the complaint frequency is lower than one in a million supplied products. In the Tissue operations, the corresponding figure is 3.1 per thousand tons.

People and nature innovations

Innovations that improve social and environmental performance also make financial sense. For SCA, such innovations are linked to an in-depth understanding of customers and consumers.

SCA's innovation process

SCA's innovation process originates in an understanding of a customer or consumer need and is divided into four phases:

- **Feasibility:** innovation concepts based on customer or consumer insight are elaborated and validated. The market situation and the global business potential are assessed, and high-level technological and commercial feasibility are evaluated.
- **Development:** A cross-functional project team is engaged in the development of a proposed solution, including a specific product, service or business model. Requirements of the product, packaging, service and technology are developed and verified with customers and consumers, and communication materials are prepared. Product safety assessments for materials, life cycle assessments (LCAs) and social assessments are performed by experts to ensure product safety and environmental and social performance.
- **Capacity:** The project works toward market launch and building the capability to deliver. Launch campaign materials are created, the production solution is verified against requirements, and all product and packaging specifications are finalized. The fulfilment of the regulatory requirements governing products in all markets is secured.
- **Launch:** The innovation is introduced to customers/consumers in the market. The intended benefits are weighed against market feedback; the supply chain is adjusted accordingly. Supply and demand balance is optimized in production to ensure efficiency and the feedback drives the roll-out plan.

In 2015, SCA invested SEK 1,093m (1,050) in research and development. This corresponds to 0.9% of total sales.

Open innovation

SCA has a portal for open innovation. Inventors, entrepreneurs and small companies are invited to submit solutions in response to various challenges from SCA. The solutions should be patented so that there are no outstanding issues regarding intellectual property rights should the proposal result in a licensing agreement or other type of business arrangement. A number of proposals have been submitted this way and some of them have led to further collaboration or product launches. One example is Tork EasyCube, an IT-based service for public restrooms, which is described in more detail on page 12. The service was developed in close cooperation with customers in the facility service business. Another is the TENA U-test, an in-pad detection for urinary tract infections, developed by a small start-up company.

SCA launched an internal innovation platform in 2013 called ICON (Idea Collaboration Online). ICON is not limited to product innovations. Proposals may include manufacturing, logistics or marketing solutions. ICON complements other platforms and initiatives to spur innovation and is frequently used in early phases of the innova-

tion process to gather solutions and ideas from employees.

Life cycle management

Life cycle management is about effectively combining value, social and environmental aspects in every part of the life cycle. This enables SCA to deliver products and services that meet customers' needs and exceed their expectations.

- **Active sourcing** involves seeking high-quality, safe and environmentally sound raw materials. SCA's suppliers adhere to strict standards, including criteria for quality, product safety, environment, chemicals and code of conduct compliance.
- **Clean production** focuses on an efficient use of resources and on reducing energy and waste. The production units apply management systems such as ISO 9001, ISO 14001 and OHSAS 18001.
- **Sustainable solutions** are defined as innovative, safe and environmentally sound hygiene products and services. SCA's innovations are based on consumer and customer insight with a focus on meeting needs in daily life.

Life cycle assessments

SCA has used life cycle assessments (LCAs) since the early 1990s. An LCA illustrates the complete environmental impact of a product based on the ISO 14040 and 14044 standards. It is a standardized measurement of environmental impact in every phase of the product, from raw materials, product development, production and use to disposal of waste.

For each activity in the life cycle, an LCA calculates the input of resources, energy and transportation and the output of, for example, emissions to air and water.

The result of an LCA is expressed in environmental impact categories. The LCAs conducted by SCA cover the main impact categories that describe the potential impact on global warming/climate change, meaning the product's carbon footprint, acidification of rivers and lakes and eutrophication of land or water systems.

Product	Carbon footprint reduction 2008–2015, %
TENA Flex	-13
TENA Lady	-15
TENA Men	-2
TENA Pants	-23
TENA Slip	-15
TENA Comfort	-19
TENA Bed	5
Libero open diaper	-25
Libero pants	-15
Tork hand towels*	-11

*2011–2014

LCAs are used both to calculate the environmental performance of new innovations and to measure the gradual improvements over time for product assortments. The carbon footprint calculations above cover the majority of sales for all assortments in Europe and are third-party verified by the Swedish Environmental Research Institute (IVL).

Definition of People and nature innovations

SCA's People and nature innovations are defined as inventions that lead to social or environmental improvements. The social assessment criteria include health, hygiene, working conditions, ergonomic improvements, as well as dignity and confidence in social situations. With respect to the environmental assessment, performance and resource efficiency are measured using life cycle assessments and/or third-party labels are taken into account.

People and nature innovations 2015

In 2015, SCA launched about 30 innovations. People and nature innovations accounted for 43% of total innovation sales. Read about some of these on pages 14–15.

Product safety

SCA follows strict requirements and procedures to ensure that all materials in the company's products are safe for consumers, employees and the environment. SCA has a global product safety position in place for all products to ensure that they are safe for their intended purpose. SCA's Global Supplier Standard (GSS) includes responsible business operations, quality, product safety, environmental and social requirements, and SCA works closely with its suppliers to ensure that its high standards are met.

In recent years, there has been an increased focus on issues related to product safety, a trend that continued in 2015. After a debate concerning chemicals in feminine hygiene products, SCA made the composition in its products public.

The food industry is an influential customer for SCA's kraftliner business (packaging papers) and imposes stringent requirements on product safety. SCA ensures that all fibers in its packaging materials meet these requirements, regardless of whether they are fresh or recovered fibers.

The chemicals used in the production process are managed under strict controls, and potential exposure to employees, customers and the environment is evaluated. Only chemicals that meet SCA's stringent safety requirements are chosen.

The regulations most relevant to SCA concern product safety, medical devices, materials for food contact, chemical substances, cosmetics, biocide products and electronics. SCA monitors the development of all relevant regulations and ensures the environmental and human safety of all its products.

Animal testing

SCA has a restrictive view on the use of animal testing and is committed to reducing animal testing to the very minimum. SCA does not test its products or materials on animals unless required by law, which for SCA is relevant in Brazil and China. SCA actively supports development of alternative testing methods and is an industry

partner of the European Partnership for Alternative Approaches to Animal testing (EPAA).

Palm oil

SCA's tissue, baby, feminine and incontinence care products do not intentionally contain palm oil or palm oil derivatives. A small share of the Group's products, such as wet wipes and cosmetic products such as soaps, lotion or creams, may contain palm oil or palm oil derivatives.

SCA frequently reviews its product portfolio and its supply chain in relation to palm oil usage. The company is a member of the Roundtable on Sustainable Palm Oil (RSPO) and actively supports the development of sustainability criteria. SCA plants and suppliers that use palm oil and/or palm oil derivatives are requested to achieve RSPO certification. SCA strives to have only certified palm oil and palm oil derivatives in its supply chain.

In 2015, 86% of the palm oil used in SCA's cosmetic products, such as soap and cream, was certified.

GMO

SCA recognizes the existing long-term uncertainties regarding environmental and health risks in relation to the use of Genetically Modified Organisms (GMOs) and takes a precautionary approach to using materials derived from GMOs.

SCA actively monitors ongoing research and an alternative GMO-free material should always be considered.

SCA does not use GMOs in its forest management practices and does not use wood fibers derived from GMO trees. SCA's forest land is FSC® certified, and the Forest Stewardship Council Standards do not currently permit use of GMOs in forestry.

SCA uses recycled fiber in its cotton products and it could potentially contain GMOs. SCA is redirecting its cotton sourcing to Turkey where GMO cotton is not permitted. At year-end 2015, 70% of SCA's cotton usage was sourced from Turkey.

Triclosan

Triclosan is commonly and globally used as an antibacterial ingredient or preservative in many consumer products such as soaps, detergents, toothpaste and medical devices. It is a chlorinated organic compound and has been safely and effectively used for over 30 years.

In recent years, questions have been raised concerning the potential environmental impact of Triclosan and whether there is a relationship between Triclosan and the development of bacterial resistance. To address customer and consumer concerns, together with our commitment to support safe and environmentally sound products, SCA has decided to not include Triclosan in any new products and has phased out Triclosan in all SCA products. Some SCA joint ventures use Triclosan in a small number of products.

Hygiene solutions

SCA offers hygiene solutions for different phases and aspects of life across markets all over the world.

Incontinence care at nursing homes

Through TENA Solutions, SCA helps nursing homes provide the best care by offering procedures, analysis tools and training combined with innovative product solutions. The advantages include improved well-being for the residents, better working environments, a reduction in resource consumption and lower overall costs. A study* of 181 nursing homes around the world that have implemented TENA Solutions showed clear improvements in 95% of the cases:

- 38% less leakage
- 47% improved skin conditions
- 44% more time for rewarding care
- 29% lower cost (related to incontinence care)
- 37% less laundry
- 31% less waste

* Information based on 181 TENA Solutions case studies around the world, mainly in Europe but also in the US, Canada and China, 2011–2013.

Incontinence care at home

SCA has initiated several scientific studies to improve the standards of continence care, including:

- The Optimal Continence Service Specification on how to improve the service delivery of continence care and a health economic evaluation of improved service delivery by 2015 and 2030.
- Person Centered Care for people living in residential care settings.
- Cure Rates for the four patient profiles: 1. Urine, 2. Fecal, 3. Neurologic diseases and 4. Elderly.
- Containment product guidance in clinical and care guidelines; a mapping study in Canada, Sweden, UK, Germany, the Netherlands, Poland and Spain.
- The relationship between formal and informal care for people with incontinence, a Swedish case study.
- The status of support for management for containment in three regions in Germany and one region in Spain, Poland and England, respectively.

The results of these studies will be presented at the 6th Global Forum on Incontinence in Berlin in April 2016 and published in scientific journals.

Value creation for people

Management approach

SCA's overall social management approach is to assess how the company impacts and interacts with people where it operates, and to develop strategies for establishing good relations with key stakeholders everywhere. SCA's main steering document in the area of social responsibility, the SCA Code of Conduct, defines relevant areas for the company to manage and excel in, thereby contributing to social sustainability in the Group's operations, and for various stakeholders along our value chain. This chapter describes SCA's work related to its most important social aspects.

Strategic components	
Policies	Sustainability Policy Code of Conduct Global Supplier Standard Group Health and Safety Policy Community Relations' instruction
Targets and KPIs	Code of Conduct Employee Health and Safety
Data	See Supply chain management See Employee relations See Community relations See Social data
Management systems, programs and certifications	Sedex OHSAS 18001 Global System for Performance Review and Development Planning SCA Leadership Platform
External charters or initiatives	UN Guiding Principles on Business and Human Rights UN Global Compact European Works Council Industri ALL OECD Guidelines for Multinational Enterprises ILO Core Conventions

Code of Conduct

The SCA Code of Conduct is the Group's key social management policy. A number of systematic activities, such as risk analyses, training, audits and monitoring processes, are closely aligned with the Code of Conduct to ensure compliance. The implementation of the Code is a continuous process.

SCA's Code of Conduct

SCA's Code of Conduct was first introduced in 2004, and most recently updated in 2015. The Code is a tool to transform SCA's core values of respect, responsibility and excellence into action. SCA's Code of Conduct applies to all employees within the Group.

SCA's Code of Conduct is based on international standards, including the UN Declaration of Human Rights, the ILO Core Conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles and related legislation. All employees are provided with the necessary knowledge and other prerequisites to comply with SCA's values and Code of Conduct.

Code of Conduct training

SCA implements its Code of Conduct and verifies compliance through training, audits and business practice reviews. All employees are regularly trained in Code of Conduct compliance, including guidelines on business practices, human rights, how to counter corruption, unethical behavior and how to deal with ethical dilemmas that may arise. In 2014, SCA launched a Group-wide training initiative aimed at all employees. Employees were able to participate either online or via face-to-face training. At year-end 2014, 93% of employees had undergone training in SCA's Code of Conduct.

In 2015, all countries completed their roll-out of the training program, and SCA's Code of Conduct training is included in all induction programs for new employees. By year-end 2015, 91% of all new employees had completed the training. SCA is currently working with external partners to further develop and deepen its training methodology and content.

Sedex

The database provided by Sedex (the Supply Ethical Data Exchange) has been central to SCA's internal risk management and Code of Conduct monitoring since 2011. SCA and other Sedex members use the database to store, share and report on information pertaining to working conditions, health and safety, the environment and business ethics. Thanks to SCA and other companies sharing information with each other, efforts related to workplace inspections and audits are made more efficient, at the same time as transparency increases.

The Sedex system includes an extensive self-assessment questionnaire (SAQ) and a risk assessment tool. The tool has been developed by Maplecroft and is based on a balance between risk data at the country level and in the relevant industry, and on responses to the SAQ.

SCA's facilities perform the self-evaluation in Sedex. The answers are then used for the purpose of risk classification of the units. In the 2015 Sedex assessment, all of SCA's main facilities received a low to medium risk classification and no facility was classified as high risk. The Sedex system has enabled SCA to assess its own operations, and the results help determine the focus of the company's audits and other initiatives aimed at improving conditions at our facilities. Many customers also request information about SCA's supply chain via the Sedex system and this enables them to compare SCA with other companies in the industry.

69 SCA facilities, as well as three facilities in joint ventures in Tunisia and Algeria, use the Sedex system to report information.

Updated complaint procedure

SCA offers its employees a number of channels for reporting breaches of the Code of Conduct, such as through their line manager, HR Director, legal counsel or union representative. In addition, there is a dedicated e-mail address and, in the UK and Mexico, there are third-party-operated hotlines. This way, employees are able to file anonymous reports.

In 2015, further improvements were made to SCA's process for investigating complaints and potential violations, such as development of new guidelines and training, to ensure all complaints are handled in a fair, professional and efficient way.

Reported breaches in 2015

In 2015, there were a total of 89 reported cases of potential breaches of the Code of Conduct, of which 16 were still under investigation at year-end (of which eight were related to anti-trust). Among the reported complaints, the most common types were alleged discrimination and harassment (34), corruption and misuse of assets (21) and labor practice grievances (7). The remainder of the complaints involved conflict of interest, health and safety and various other company policies (27). The most common source of complaints was from identified company employees (67%). 20% of the reported cases came from external stakeholders, such as a customer, supplier or contractor. 11 percent of the complaints were made anonymously.

Following review and investigation, a total of 73 cases were closed and a total of 28 cases resulted in a verified breach of SCA's Code of Conduct or company regulations. Out of the confirmed violations, 11 cases referred to harassment and bullying, ten cases of corruption and fraud incidents, two cases of undisclosed conflict of interest and the remaining six cases were related to other SCA policies. Disciplinary action was taken in all cases of verified violations. During 2015, a total of 17 employees were dismissed, 11 received a warning and four were subject to other outcomes (e.g. resignation or other corrective actions). SCA takes all complaints seriously, which is why preventive measures are taken in most cases even when a breach cannot be proven. In the event of allegations that employees have been subject to harassment in the company, training initiatives are often arranged to raise awareness of personal behavior and the behavior of others.

Code of Conduct audits

SCA uses audits to monitor compliance with the Code of Conduct. Audits are carried out to satisfy customer requests, as well as to improve SCA's operations.

The facilities to be audited are determined by such factors as the social and environmental

risks in the country of operation, whether the facility is a recent acquisition or if there are any indications of non-compliance with SCA's policies.

The content of the audits emanates from SCA's Code of Conduct, while the approach and methods are based on the SA8000 standard. The audits are conducted by cross-disciplinary teams from SCA, and include representatives from the internal audit, human resources and sourcing functions. The audits involve a review of documentation, inspection of the facility with a focus on health and safety, and interviews with managers, employees and union representatives. SCA dedicates a great deal of time to interviewing employees, since these conversations are highly relevant to understanding how SCA's policies are perceived and put into practice.

Every audit results in a report and action plan for the audited unit, which are followed up. In the event deviations are identified, these are to be corrected immediately and measures taken to prevent future deviations. The results of the audits are reported to SCA's Board via the Audit Committee.

Results 2015

In 2015, Code of Conduct audits were conducted at two sites in the US and one site in Sweden, Mexico and the UK, respectively. In the US, the sites were instructed to make improvements with respect to overtime and consecutive days worked. In Sweden, documentation and implementation of fire drills was lacking. In Mexico, employment forms contained information that was deemed discriminatory, aspects that were immediately removed from the recruitment form. The site in the UK demonstrated high standards and complied with the SA 8000 standard with only minor changes.

Joint ventures

SCA encourages its joint-venture companies to adopt a code of conduct and policies that are in line with the principles stated in the SCA Code of Conduct. SCA's largest joint-venture company, Familia in Colombia, has updated and adopted its Code of Conduct. SCA is assisting the company in strengthening the systems around the Code, including due diligence and handling of complaints.

In 2015, SCA assisted its joint-venture partner Sancellia in Tunisia in drafting a new code of conduct to ensure it is aligned with SCA's Code. The Sancellia Board of Directors adopted the new code in December 2015.

Risk management

SCA assesses and manages its operations to address social, environmental and other operational risks. SCA monitors the Code of Conduct

through reporting systems and auditing of specific operations.

SCA's human rights and corruption risk analysis is based on assessments carried out by Amnesty, Sedex and Transparency International. Approximately 18% (17) of SCA's revenues are generated in countries with a relatively high risk of human rights violations. About 28% (27) derive from countries with a relatively high risk of corruption.

SCA's risk assessments are also included in the Group's audits in connection with acquisitions.

SCA regularly revises its business practices in various parts of the organization and these reviews contribute to SCA's risk control.

Human rights

SCA's approach to human rights is informed by the United Nation's Guiding Principles on Business and Human Rights (UNGP). UNGP stipulates that as part of its commitment to respect human rights, companies must exercise due diligence in understanding and managing its actual and potential negative impact on human rights of its various stakeholders. In 2014, SCA, together with the non-profit organization BSR, mapped and identified its human rights risks through a Group-wide human rights impact assessment process. The risks were graded not by the impact on business but the impact on the rights holder. The assessment revealed three salient issues:

- Labor-related risks, including occupational health and safety, discrimination, forced labor and right to equal work for equal pay in SCA's direct and indirect operation (supply chain).
- Land rights risks associated with the sourcing of timber, fiber, and pulp – especially where indigenous communities are present.
- Risks related to water use by SCA operations located in water-stressed regions that may infringe on the rights of local communities to water and sanitation.

The review also identified some areas of improvements, such as a more holistic approach to the human rights risks in the supply chain. Following this recommendation, SCA's global sourcing teams have been working to ensure that human rights risks are further integrated. All forms of violations of human rights are taken very seriously. These are reported and managed in the same way as other breaches of the company Code of Conduct, see page 42.

Committed to supporting and advancing children's rights, SCA has also joined the Global Child Forum, a multi-stakeholder platform for leaders from business, governments, academia and civil society in a joint effort to implement children's rights.

Due to the intensified focus on the elimination of forced labor, for example, on account of the Modern Slavery Act in the UK, one of the focus areas in 2016 will be to identify areas with elevated risks.

Anti-corruption

Anti-corruption is included in SCA's Code of Conduct. In 2013, SCA introduced a new anti-corruption policy, aligned with legislation such as the UK Bribery Act, for increased focus and transparency. SCA must conduct all activities in accordance with applicable laws and regulations, and all corrupt activity is strictly prohibited.

SCA conducts regular corruption risk assessments. This includes due diligence audits of suppliers and other business partners.

SCA has developed an anti-corruption e-learning course translated into 21 languages. In 2015, we commenced implementation of the e-learning course in onboarding programs.

Anti-trust

SCA is committed to full compliance with competition laws (also called "anti-trust" laws) as set out in the SCA Code of Conduct. These laws generally prohibit agreements or understandings between competitors that undermine competition, including price fixing, allocation of customers or geographic markets, bid rigging or abuse of a dominant position.

SCA has anti-trust programs in place and, in 2015, the Group launched an anti-trust e-learning training course with the aim of improving employees' understanding of competition laws and how these impact their daily work. It is mandatory for specified groups of employees to complete the training, such as employees with an interface toward trade associations, customers and competitors. More than 2,000 employees completed the training course during the year and more will be trained in 2016.

Ongoing anti-trust cases

SCA conducts operations in about 100 countries and, in many cases, holds leading market positions. It is natural that SCA, like other large multinational corporations, is the subject of investigations by competition authorities. At present, competition authorities are reviewing the joint venture Familia's operations in Colombia and Peru, as well as SCA's wholly owned businesses in Chile, Spain, Poland, Hungary and Russia. In all instances, SCA and/or the joint venture is/are cooperating with the authorities and providing the requested information.

Business Practice Reviews

SCA's business practice reviews are conducted by the internal audit unit. The reviews focus on business ethics and SCA's relationships with

customers, suppliers and authorities. In 2015, the review process was updated and the scope was extended. Additional interviews are performed to ensure the effectiveness of the control environment and greater consideration is given to challenges in the local environment.

Since the beginning of 2008, 18 reviews have been performed in as many countries. In the past five years, 29% (30) of SCA's operations in risk countries have been investigated. The countries are selected on the basis of Transparency International's corruption index in combination with SCA's net sales in the country.

Results 2015

In 2015, business practice reviews (BPRs) were conducted in Taiwan, Poland, Mexico and Russia. The BPR in Taiwan showed serious deficiencies related to corporate governance. Management agreed upon action plans to be completed in 2016 and, in one case, in 2017. The BPRs in Poland, Mexico and Russia noted only minor deficiencies and action plans will be implemented.

Supply chain management

Choosing responsible business partners is becoming increasingly important and SCA works together with its suppliers to make mutually beneficial improvements with respect to social and environmental performance.

SCA's supplier base

SCA has about 67,000 suppliers of goods and services, of which about 50,000 account for a spend of below SEK 100,000. Of these, we have identified a supplier base consisting of global, regional and other strategically important suppliers. The supplier base consists primarily of raw material and merchandise suppliers, as well as suppliers of strategic services, such as marketing, IT and travel. Based on spend and/or potential risk, suppliers are required to sign the Global Supplier Standard, register in Sedex and, in some cases, be subject to a CSR audit.

All in all, the identified supplier base account for two-thirds of the Group's total purchasing costs. The remainder includes mainly local suppliers of non-production material and local services.

Results 2015

At year-end, 84% (75) of the hygiene operations' approximately 630 global suppliers had signed the SCA Global Supplier Standard (GSS). Of forest products' 25 (29) largest suppliers, 86% (83) had signed the Global Supplier Standard.

Since the SCA supply chain target was adopted in 2010, SCA has substantially expanded the scope of its Global Supplier Standard program. In addition to the approximately 350 suppliers that were originally within the scope of the compliance program, an addi-

tional 280 suppliers have been successively added, an increase of 80%. SCA is currently reviewing its supply chain ambitions and targets to continue its work to ensure a responsible supply chain.

Supply chain management tools

Regarding supplier requirements and follow-up, SCA works with and assigns priority to three distinct steps:

- 1. Global Supplier Standard:** All global suppliers to the hygiene and forest products operations undertake to comply with SCA's policies by signing the Group's Global Supplier Standard (GSS).
- 2. Sedex database:** SCA's strategically important suppliers, from which substantial purchases are made and/or which are located in high-risk countries, are registered in Sedex.
- 3. Audits:** Suppliers located in high-risk countries are CSR audited and all major suppliers undergo quality audits, which also includes verifying workplace health and safety. CSR audits can also be triggered by other factors, such as a low rating in Sedex, a low health and safety score in a quality audit or any other credible external source of information.

Global Supplier Standard

SCA has applied a Global Supplier Standard (GSS) for many years. The hygiene and forest products operations have previously applied individual versions of the GSS. In January 2016, the two versions were consolidated into one single version valid for the entire SCA business and, in addition, the GSS was updated to reinforce sustainability criteria and to secure global coverage. The standard includes requirements governing responsible business operations, quality, product safety, the environment, energy and chemicals. The GSS is complemented by a supplier code of conduct named "Responsible Business Operations". It includes SCA's expectations on suppliers with regard to human rights, business practices, employee relations and health and safety.

Approximately 57% of the hygiene operations' global suppliers are located in Europe, 29% in the Americas and 14% in Asia/Middle East. Many of the production facilities located in Asia and Latin America belong to large multinational corporations based in Europe and the US; a conscious choice by SCA to reduce ethical risks within our supply chain.

Of the wood raw materials purchased by SCA, 88% is from Sweden (of which half from the company's own forests), 9% from central Europe and 3% from the Baltic countries and Finland. SCA strives to further integrate procurement practices with the requirements of the SCA Global Supplier Standard.

Reporting in Sedex

SCA's strategically important suppliers, from which substantial purchases are made and/or which are located in high-risk countries, are registered in Sedex. This is where the Group takes into account geopolitical, social, ethical and sustainability-related risks.

At the end of 2015, 85% of the approximately 470 global suppliers to the hygiene operations that were relevant for Sedex registration had reported their details in the database. In the forest products operations, 27 out of 43 suppliers were identified as relevant.

Supplier audits

Suppliers located in high-risk countries correspond to 12% of SCA's procurement spend and they undergo CSR audits with a focus on health and safety, human rights, employee relations and corruption. SCA uses Sedex and Maplecroft's risk classification to identify these suppliers. The goal is for all suppliers located in high-risk areas to be audited. To achieve this goal, SCA has engaged a Swiss-based external partner, SGS, to perform audits. The method used to evaluate suppliers is the same as that used to monitor SCA's own units. At the end of 2015, 130 CSR audits had been conducted.

The Group evaluates potential suppliers prior to contracting and continues to review suppliers at regular intervals. Social and environmental aspects account for more than 20% of SCA's quality assurance prior to new partnerships and all new suppliers must sign the GSS and register in Sedex prior to any business activities. SCA also conducts quality audits and chain of custody audits of fiber suppliers.

Some of SCA's customers with high ethical standards require SCA's suppliers (their sub-suppliers) to register in Sedex or conduct CSR on-site audits. SCA supports these customers in their ambitions.

CSR audit results 2015

During the year, SGS carried out about 30 CSR supplier audits on SCA's behalf in China, Mexico, India, Brazil, Malaysia, Thailand, Saudi Arabia and Vietnam. SCA's global purchasing function also considers sustainability performance when evaluating suppliers.

Suppliers receive feedback in connection with the audits and then SCA's purchasers determine whether to continue the collaboration. SCA and SGS work together with suppliers to resolve any non-compliance issues. In most cases, these are minor health and safety issues. Within three weeks of the audit, SGS shares the audit report and corrective action plan with the supplier and SCA. If critical findings have been identified during the audit, SCA is informed within 24 hours. To date, findings triggering this kind of reaction have consisted of rare cases of excessive overtime, work for more than six days in a row, no fire drills being completed in the last 12 months or

insufficient or non-existing procedures for verifying workers age upon recruitment. To further promote sustainability performance at suppliers' units, SCA asks suppliers how the Group can provide support, since SCA's actions could affect the ability of suppliers to comply with expectations and requirements.

No agreements with global suppliers were terminated on the grounds of sustainability-related non-compliance in 2015.

Control of cotton providers

Some of SCA's hygiene products contain by-products from the cotton industry. The volumes are exceedingly small but since cotton agriculture is associated with social risks, SCA pays particular attention to cotton farming.

SCA is shifting its sourcing from potential high-risk countries to areas with greater transparency and lower risks. This is because SCA's purchasing levels do not provide the company with sufficient influence further down the supply chain. At the end of 2015, SCA had shifted approximately 70% of its volumes to areas with a lower risk level, i.e. Turkey.

Recovered fiber risk assessment

SCA is aware of the risks related to occupational health, forced labor, child labor and human rights in general that may occur in connection with recovered fiber sourcing in potential high-risk regions. As a consequence, the company commissioned a report from the risk strategy consultant Maplecroft with the mandate to identify parts of SCA's value chain with potentially higher risk. The report identified Latin America as a high-risk area and SCA chose to initially focus risk management on its Mexican operations since it is a wholly-owned company with substantial sales.

Recycled fiber accounts for a small part of the recycling industry in Mexico and SCA is a small player. Nevertheless, the Group has a responsibility to improve the existing conditions through our influence. In 2015, we visited suppliers throughout the value chain and, in some cases, identified inadequate working conditions, particularly related to health and safety, among those who collect and sort waste. We have begun working with existing suppliers

through a supplier program (see page 21) and have a dialog with the paper industry to identify common standards and with authorities to increase the focus on working conditions for waste collectors.

Control of forest contractors

SCA's forest operations almost exclusively use contractors for harvesting and silviculture. Contractors hired by SCA undertake to comply with applicable laws and regulations, including collective agreements and SCA's Supplier Standard. In recent years, SCA has significantly strengthened the requirements imposed on contractors. Among other stipulations, the following are included in agreements with contractors:

- The contractor must be a member of an employers' organization or have a local collective agreement in place with the GS union (the Swedish union of forestry, wood and graphical workers).
- The contractor must adhere to the rules under the forest worker agreement relating to work environment, working hours and pay.
- The contractor must comply with the guidelines relating to employees' rights as stipulated in the FSC® (Forest Stewardship Council) and PEFC™ (Programme of the Endorsement of Forest Certification) forest standards.
- The contractor must practice a systematic health and safety program and must have carried out at least one follow-up during the past year.

SCA has also further developed and simplified its assessment methods for health and safety and employment terms.

Monitoring in 2015

SCA follows up compliance with the above standards together with its contractors. In addition, field spot checks are performed by both the GS union and SCA.

In summer 2015, SCA carried out extensive controls of its silviculture contractors with regards to working conditions, work permits, salaries, and so forth. Visits were made to 36 teams with a total of 157 employees. 80% of the employees were from another EU/EES country

than Sweden, and 14% came from countries outside the EU/EES. All conditions were compliant with SCA's requirements, as well as applicable laws and collective agreements. In one team, employees had questions regarding salary levels. The misunderstanding was due to lack of information, which was resolved after contact with the contractor.

Health and Safety

Health and safety is fundamental to SCA's operations. SCA has a zero-accident vision and safety in the workplace is highly prioritized.

Employee health and safety target achieved

The accident frequency rate declined by 6% to 6.3 (6.7) in 2015. In particular, statistics improved for the American tissue mills, partly due to joint ventures closing the gap in standards compared with other SCA companies.

Already in 2014, SCA achieved its target to reduce its accident frequency rate by 25% in the 2011–2016 period. In the 2011–2015 period, the accident frequency rate fell by 31%. As a consequence, SCA has adopted a new ambitious health and safety target with the aim to reduce the accident frequency rate by 50% in the 2014–2020 period.

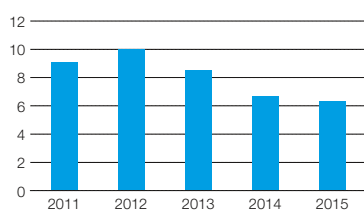
SCA also updated its OHSAS 18001 target, see OHSAS 18001 certification on the next page.

No fatalities were reported for the third consecutive year.

Safety policy and governance

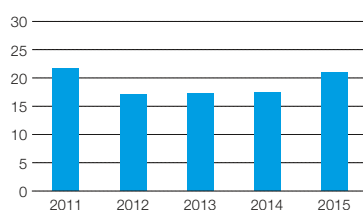
SCA has a Group Health and Safety Policy and the Group's governance system encompasses risk assessment, training, targets and monitoring in the safety sphere. There are health and safety committees on which representatives of about 94% (96) of the workforce serve. 78% (74) of employees are covered by formal trade union agreements in which health and safety issues are addressed on a regular basis. In addition, a reference team has been in place since 2009 with responsibility for coordinating Group health and safety matters. All SCA facilities have procedures in place to increase workplace safety.

Accident Frequency Rate (FR)



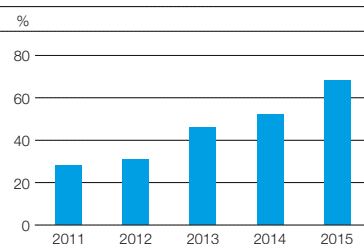
The accident frequency rate declined by 6% in 2015. Compared with 2011, the decline was 31%.

Accident Severity Rate (ASR)



The accident severity rate rose in 2015, a common consequence when the frequency rate declines.

OHSAS 18001 certified sites



Ten main sites were certified under OHSAS during 2015. A main site is defined as a production site wholly owned by SCA with 100 or more employees.

OHSAS 18001 certification

SCA implements the international OHSAS 18001 (Occupational Health and Safety Assessment Series) standard to ensure that uniform processes are deployed across the Group, and that SCA units continuously improve their workplace health and safety. OHSAS specifies requirements for an organization's occupational health and safety management systems. In 2015, SCA updated its OHSAS 18001 target, stating that all fully-owned and joint operations will be OHSAS 18001 certified by 2020. At the end of 2015, 68% (52) of SCA's 65 main sites were certified.

Group-wide key performance indicators

In recent years, SCA has worked intensively to systematize and improve its safety work. SCA uses the following Group-wide KPIs:

- Number of Lost Time Accidents (LTA): accidents that result in an employee missing the next regularly scheduled work day or shift.
- Days Lost due to Accidents (DLA): number of work days lost due to an LTA.
- Accident Severity Rate (ASR): The DLA / LTA.
- Frequency Rate (FR): LTA / 1,000,000 hours worked.
- Incident Rate (IR): LTA / 200,000 hours worked.
- Number of fatalities.

Safety statistics

	2015	2014
Lost Time Accidents (LTA)	360	375
Days Lost due to Accidents (DLA)	7,545	6,546
Accident Severity Rate (ASR)	21.0	17.5
Frequency Rate (FR)	6.3	6.7
Incident Rate (IR)	1.3	1.3
Fatalities	0	0

During the year, 76 accidents (51) were reported among contractors.

Near miss/risk reporting

Reliable near miss and accident reporting is key; it is vital to analyze both serious and less serious occurrences to ensure that they are not repeated.

SCA has a reporting system for accidents and risk observation in place. Employees use it to report accidents and close calls, meaning events that could have led to an accident. The system significantly improves SCA's ability to perform risk assessments, analyze and improve working methods, and continuously monitor performance.

In the event of a critical incident, information is communicated to the entire Group, enabling all units to gain access to the recommendations and learn from the occurrence. Another part of the unit procedures involves gathering data from the reporting system on a weekly basis so that safety can be addressed at staff meetings. The system also allows for best practices to be disseminated throughout the Group.

Since the introduction of the system several years ago, it has been noted that, to all appearances, many LTAs are the result of trivial causes. For example, accidents may be caused by slips, trips and falls of a less serious nature, which should be preventable. It was also observed that some units need to increase their focus on manual work and ergonomics.

Zero-accident sites

19 sites reported zero accidents in 2015: Logistics Lübeck and Witzenhausen, Germany; Pune, India; Altopascio, Italy; Monterrey and Uruapan, Mexico; Suameer, the Netherlands; Svetogorsk/Kamennogorsk and Veniov, Russia; Gemerská Hôrka, Slovakia; Telde, Spain; BM Skandinavien Stugun and Norrplant/Boggrundet, Sweden; Chesterfield, Manchester, Oakenholt and Welshpool, UK; Bowling Green and Greenwich, US

Joint industry action

Health and safety risks in the pulp and paper industry tend to be higher than those in the engineering industry. Therefore, SCA's forestry operations participate in several industry collaboration projects to promote safety.

A working group focusing on occupational health and safety has been formed within the Swedish Forest Industries Federation. The objective is to support the safety programs of

member companies by offering various resources for raising awareness and sharing knowledge.

Another valuable contribution is being made by the SSG (Standard Solutions Group) safety committee, through which companies in the pulp industry come together to learn from one another. SSG sets technical standards and recommendations and provides information and advice.

Healthy workplaces

SCA also works proactively with employee health and well-being. Each business unit is responsible for formulating a structure for fitness that suits their own operations. SCA's efforts encompass measures such as better ergonomics, quit-smoking campaigns, dietary training, support in work-life balance and advice in handling difficult illnesses.

Since 2008, SCA's North American operation has had a health program that includes encouraging a healthy lifestyle and regular, voluntary health check-ups, as well as early identification of health risks. The European hygiene operations prioritize efforts for improving its employees' lifestyle and health, particularly when older employees are concerned. The goal is good health, fewer sick days and higher productivity.

In addition to promoting health and safety at its sites, SCA checks suppliers' practices and collaborate with them to improve safety performance.

Health and safety at the workplace was also further addressed in SCA's awareness campaign, the Global Safety Week, see page 22.

Employee relations

Our success depends upon having motivated, high-performing people, working together, with a drive to constantly improve and deliver the best value for all our stakeholders. SCA's core values – respect, responsibility and excellence – define our approach to work and behavior patterns. SCA comprises 44,000 (44,247) employees in some 60 countries, of whom 31% (32) are women. The employee turnover rate is 13% (17).

Diversity

For SCA, diversity extends beyond the typical attributes, such as gender and ethnicity – we value a mix of diverse personalities, experiences and knowledge. SCA's Code of Conduct states that each employee is to be treated with respect and be given the opportunity for personal and professional development.

SCA strives for a higher proportion of women in management positions. In 2015, the proportion of women among SCA's senior management* was 28% (25) and 29% (29) among senior/middle management*. Since 2007, the share of female managers has almost doubled.

Senior management comprised 24 (25) different nationalities and the corresponding figure was 42 (39) for senior/middle management. Encouraging greater diversity is part of SCA's leadership platform and succession planning.

Employer branding

SCA's recruitment policy is based on having the right person for the right position at the right time and at the right cost. To realize this strategy, SCA works intensively with employer branding. These efforts are based on thorough research into the needs and requirements of potential employees and SCA's recruitment criteria.

In 2015, SCA continued to develop its global employer brand "Life Inspiring Careers." Scarce skills and critical countries were defined from a human capital demand viewpoint and key generational groups and their demands from employers were identified.

SCA extended its cooperation with selected universities in countries identified as critical from an HR perspective. An annual university design contest is growing and includes more partner universities and an increasing number of submissions from entrants. The Group received a larger number of graduate applications from our targeted universities.

SCA is active on social media, focusing specific channels on target groups identified as key for the business.

SCA's GO! program is a chance for newly graduated students to get their very first job in product supply, R&D, marketing and sales. It offers

young professionals a chance to gain valuable work experience, develop their skills and build up a professional network.

These employer branding efforts are beginning to yield results; the number and quality of applicants for all graduate positions have changed significantly. For the 36 GO! vacancies in 2015, SCA received 2,217 applications of which 225 from partner universities.

Professional development

All professional development at SCA reflects a combination of business needs and individual aspirations. SCA strives to ensure that all employees have an individual development plan that is defined and followed up during annual performance reviews. To manage development in a structured manner, SCA has a global system for performance review and development planning in place. The reviews identify the capabilities necessary for employees to achieve the stated targets. The employees and managers agree on the manner in which these skills should be secured, primarily through internal development opportunities. The objective is to follow up the performance of every employee twice a year. In 2015, 96% (89) of white-collar employees participated in performance management reviews. The corresponding number for blue-collar employees is 86% (75). The performance reviews are sometimes conducted individually and sometimes in teams.

SCA also believes in the importance of cross-border learning, and therefore sees the benefit of mixing participants from different countries, functions and organizational levels. All development has a clear link to SCA's daily activities, and involves real-life strategies, cases and assignments.

Significant emphasis is placed on continuous on-the-job learning through different experiences. Most development activities are thus connected to daily work and real-life situations. To enhance specific capabilities, SCA also has a number of common formal development programs. The average number of training hours per employee was 25 (22).

Leadership development

The SCA Leadership Platform defines what is expected from all SCA leaders. All leadership development activities are directly linked to this platform. To enhance specific leadership capabilities, there are five main development programs:

Leadership@SCA: Mandatory one-day onboarding program for all newly appointed leaders. The course focuses on SCA's strategies, processes and tools, as well as general leadership and expectations placed on leaders. 457 new managers completed the course in 2015.

Core 1: A six-day program to develop leaders that have been in their role for six to 12 months. The program aims to further develop their capabilities to effectively lead others. During 2015, 365 participated in this program.

Creating Value and Driving Business

Performance: Two courses to further strengthen participants' capabilities in strategic leadership areas. In 2015, 97 leaders participated in these programs.

Core 2: To develop people's capabilities to lead in a complex environment, engage people and drive change, SCA developed and piloted a new leadership program in 2014. In 2015, 41 leaders participated.

Other training

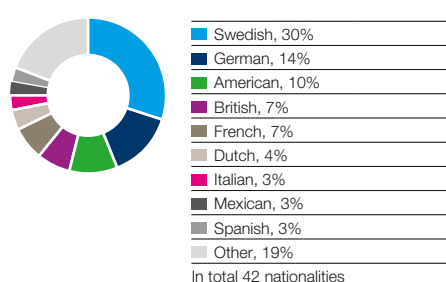
SCA has sustainability training programs in place that focus on innovations, claims and communication with the aim of improving the understanding of sustainability's impact on product and services, customers and consumers.

All-Employee Survey

SCA carries out an All-Employee Survey every second year for employees at wholly owned companies. The latest survey was conducted in 2015, and received a response rate of 88.3% (86.3) of the workforce.

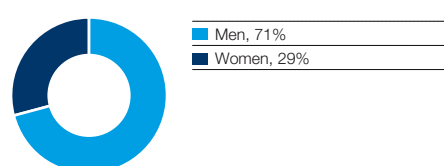
The survey covers a total of 47 aspects in nine dimensions. The results are expressed as

SCA's senior and middle management* by nationality 2015

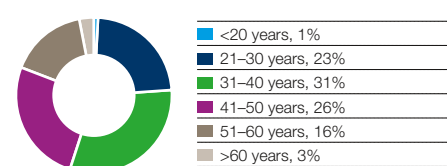


* Senior management comprises the highest level of management group below the Executive Management Team (CSMT). The number varies over time due to organizational changes and consists of 110–150 managers. Middle management consists of 750–1,000 managers.

SCA's senior and middle management* by gender 2015



Employee age distribution SCA Group 2015



indexes for leadership, innovation, customer orientation and engagement, as well as an overall SCA index. The SCA index for 2015 was 72 (70) on a scale 0-100.

All managers will prepare action plans together with their employees based on the outcome of the employee survey.

The next employee survey will be carried out in 2017.

Employee relations and union activities

Transparent communication is fundamental to the trust between SCA and its employees, as well as their representatives. Employees are encouraged to raise issues relating to employment and health and safety with their line manager. SCA recognizes the right of all employees to join unions and to partake in union activities. Union involvement varies among SCA's countries of operation, but on average 64% (65) of SCA's employees are covered by collective agreements.

The European Works Council (EWC)

The European Works Council (EWC) represents about 20,000 of SCA's employees. SCA meets the EWC and other employee representatives on a regular basis to inform them of and discuss matters such as the Group's performance and earnings, as well as health and safety and employment terms and conditions. The aim is to communicate changes well ahead of time.

Since 2013, SCA has also had an agreement with IndustriALL Global Union. IndustriALL represents 50 million employees in 140 countries in the mining, energy and manufacturing sectors. The organization was formed in 2012, combining several union organizations, including the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), which previously represented SCA employees. The content of the agreement with IndustriALL largely coincides with the previous arrangement with ICEM. The Swedish Paper Workers Union is also encompassed by the agreement with EWC and IndustriALL.

Alternative forms of dialog

In parallel with SCA's expansion, the Group encounters new circumstances and challenges, including challenges pertaining to its employee dialog. When there is no union representation, SCA establishes other channels where possible, such as workers' councils.

In companies where SCA is not the sole or majority owner, efforts are made to exert an influence through the Board. The aim is to ensure that these companies also apply the principles of SCA's Code of Conduct and thus respect each employee's entitlement to freedom of association.

Organizational changes

The notice period in connection with organizational changes in the Group varies, but averages about five weeks. In connection with organizational changes, SCA works to support the employees affected. This is done through discussions with labor unions at an early stage and by preparing a social action plan that is adjusted to local conditions. The action plan normally includes assistance in seeking employment and/or education. Other tools include severance pay, early retirement and financial incentives for those who find new jobs before the end of the period of notice. Support services may comprise individual career counseling or administrative support.

In 2015, sites were closed in Mexico, France, Germany and the UK. The closures, together with other restructuring measures, affected a total of about 640 employees.

The closure of the Guadalajara site in Mexico, FlexPackPapers in Mannheim, Germany and the Orléans site in France affected 209, 110 and 119 employees, respectively. In Germany, some employees took early retirement while others reached an agreement with SCA and, as a result, no forced dismissals were necessary. In France, negotiations are ongoing. In all three cases, the severance pay exceeded the legal requirement. In Stubbins, UK and Ortviken,

Sweden, paper machines were closed down. In Stubbins, the closure affected 34 employees who were all paid above the statutory requirements and, in Ortviken, early retirements and transfer to other jobs will solve a major share of the redundancies.

Community relations

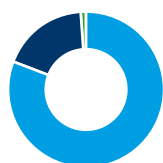
SCA strives to be a dedicated partner in the local communities in which we operate.

In accordance with SCA's guidelines for community involvement, the company prioritizes initiatives with a clear link to SCA's values, expertise, operations and geographic presence. Much of SCA's efforts are related to hygiene and health, and are often directed at women and children. No political or religious views may be expressed in association with the company's activities.

SCA's initiatives include both large-scale investments and small projects with a local focus. Apart from adding valuable experience and knowledge to SCA, the company's community efforts add value by boosting employee pride in the Group and strengthening customer loyalty.

In 2015, SCA invested approximately SEK 37m (24) in local projects, corresponding to 0.3% of operating profit. About 400 projects were registered in the company's web-based collection tool. Most of the projects were related to hygiene and health. Read more on pages 24–25.

Community relations by region



Community relations by focus area



Value creation for nature

Management approach

SCA's overall environmental management approach is to enhance the operations' positive environmental contributions, while minimizing their negative environmental impact. This chapter describes SCA's work related to its most important environmental aspects.

Strategic components	
Policy	Sustainability Policy Code of Conduct
Targets and KPI	Climate and energy Fiber sourcing and Biodiversity Water
Data	See Resource Management System (RMS) See Environmental Data
Management systems, programs and certifications	ISO 9000 ISO 14001 Resource Management System (RMS) ESAVE (Energy) Chain of Custody – FSC® and PEFC™ Life cycle assessments (LCAs)
External charters or initiatives	UN Global Compact

Climate and energy

SCA's efforts to reduce its climate impact and energy use are manifested through numerous projects, investments and modifications of processes, all of which contribute individually to the target of reducing CO₂ emissions.

Major investments

Investments in new technologies and upgrades to existing solutions play a significant role in SCA's ability to achieve its CO₂ target. In January 2015, a new lime kiln was put into operation at the kraftliner mill in Munksund, Sweden. Unlike its predecessor, the new kiln is fueled with pellets instead of oil. This shift will reduce the mill's annual fossil CO₂ emissions by 20,000 tons, or 75%, and cut costs by SEK 50m per year.

SCA has invested SEK 380m and Sundsvall Energi SEK 100m in the BioCoop energy project, thereby increasing deliveries of energy from SCA's mills to the Sundsvall district heating grid

and reducing oil consumption. The project involved the redesign and conversion of two boilers at Örtviken paper mill, enabling them to be fueled with wood pellets, and connecting Östrand pulp mill to the Sundsvall district heating grid. The new boilers reduce carbon emissions by approximately 25,000 tons.

The company's investments in a biofuel plant in Nokia, Finland, and in pyrolysis technology in the Netherlands are described on pages 27.

ESAVE

Since 2003, SCA's ESAVE energy-efficiency program has contributed to energy savings and improved efficiency in all operative business units. In 2010, SCA adopted a target for ESAVE: to reduce energy consumption per ton of product produced by 14% by 2020. In 2015, 110 ESAVE projects were implemented, resulting in a 0.5% (3.2) reduction in energy used per ton of product produced. The accumulated energy savings in the 2010–2015 period amounted to 8.2%, corresponding to a 1.6 TWh reduction in energy consumption.

ESAVE encompasses investments in energy-efficient technical solutions, the involvement of employees in daily improvement activities and a general change in attitude toward the use of energy at SCA. Knowledge sharing is leveraged across the company through training and network events and ESAVE is part of the onboarding program for several young engineers. A typical ESAVE project could involve reducing electricity consumption by improving or replacing pumps, compressors, fans or lighting. Experiences are documented and provide effective support for future improvement efforts.

Transport

SCA monitors the environmental impact of its transport activities and is working on a broad front to reduce emissions. These efforts include increasing the fill ratio, applying various techniques to reduce fuel consumption, prioritizing transport means with less environmental impact, reducing distances travelled and

strengthening purchasing procedures. The Group's total carbon emissions from transport activities in 2015 amounted to 0.87 million tons (0.87).

Shipping

Shipping accounts for 71% of SCA's total transport activities. The Group's three roll-on roll-off (RoRo) vessels cover about 10% of its shipping needs, with a total freight capacity of about one million tons.

A new regulation from the UN's International Maritime Organization was implemented as of January 2015. This new regulation reduces the permissible sulphur content in marine fuels from 1.0% to 0.1% in defined regions. SCA's vessels have been adapted for the use of low-sulphur fuel. The new regulation increased the Group's fuel costs by approximately SEK 68.5m in 2015.

Road transport

23% of SCA's freight is transported by road. SCA engages in a number of collaboration projects to cut transport emissions, including tests of vehicles using biomass-based fuels. In 2015, SCA in Germany joined the non-profit logistics initiative Lean & Green to achieve a 20% reduction in carbon emissions within logistics by 2018. SCA in BeNeLux and Italy committed to the initiative in 2009 and 2014, respectively. The action plan includes consideration of pallet height and loading, combined transport, double-deck trucks and strategic planning, such as localization of production and warehouses.

SCA is one of the nine companies in France that has signed a charter called FREIGHT21 with The Ministry of Sustainable Development on May 20, 2015 in order to reduce its CO₂ emissions from (mainly road) transportation. Some of the means to achieve SCA's commitment to reduce emission by 5% include increasing volumes, reducing distances and the number of trips, and greater use of rail transport.

Electricity consumption 2015



Co-generation, 17%
Grid supply, 83%

Electricity consumption 2015: 8,036 GWh
The majority of SCA's electricity, 83%, comes from national grids, while 17% derives from electricity produced in the Group's co-generation plants.

Fuel consumption 2015



Biofuel, 54%
Fuel oil, 2%
Electric boiler, 0.5%
N-gas+LPG, 43%
Coal, 0.5%

Fuel consumption 2015: 60,252 TJ
A total of 43% of SCA's fuel consumption comes from natural gas and 54% from biofuel. Oil and coal account for a mere 2% and 0.5%, respectively.

Rail transport

Rail transport accounts for 6% of SCA's total freight – this small share is partially due to restrictions in the rail network. Because rail transport is a carbon-efficient alternative, it is a prioritized transport means. SCA uses multi-modal transport for distances exceeding 1,000 km. If there is no direct rail connection, SCA requests that its suppliers use rail to the greatest extent possible, supplemented by truck transport. If there is no, or a very small, price difference between alternatives, SCA will choose the solution with the least impact on the environment.

Business travel divestment

During 2015, SCA announced that the company, together with the other part-owners, was divesting Bromma Business Jet. The transaction gave rise to a cost of approximately SEK 95m, which was reported as an item affecting comparability in 2015.

The EU Emissions Trading Scheme (ETS)

SCA had 32 mills and plants included under the ETS in 2015. SCA's operations in the Nordic region will continue to produce a surplus, while its operations in the rest of Europe will have a certain deficit. This balance provides an estimated average annual surplus of about 200,000 tons of carbon dioxide equivalents during the third phase of ETS. The surplus is the result of the measures implemented by SCA over an extended period in the form of energy-saving activities, process optimization, choice of fuel and major investments, such as a new lime kiln in Munksund in Sweden and a new biomass boiler in Nokia, Finland. The average market price for emission rights in 2015 was about EUR 7.6 per ton and SCA sold 410,000 emission rights.

Wind power

SCA's forest land in Sweden is well suited for wind power ventures. In 2015, energy prices dropped by 30% and the price of green certificates fell by 15%, which reduced newly installed power in Sweden by 42% compared with 2014.

A total of 770 MW of wind power is produced on SCA's forest land, corresponding to 13% of the total installed wind power in Sweden. In 2015, 1.9 TWh was produced on SCA forest land.

Wind power strategy

SCA's wind power strategy is based on three main pillars.

- **Joint venture with energy producers:** SCA can be a co-owner in a wind power project, which is the case in the collaboration with the Norwegian companies Statkraft and Fred. Olsen Renewables. Statkraft and Fred. Olsen Renewables are funding the projects and SCA is providing the land.
- **SCA independently develops wind power projects:** In certain cases, SCA is the initiator of wind power projects that may be divested, form part of a future collaboration or be operated independently by SCA.
- **SCA leases land to energy producers:** This could involve leasing sites for smaller wind farms or a case in which a larger wind farm uses a small part of SCA's land, but could also involve even larger projects.

Joint ventures

Statkraft SCA Vind AB, SCA's joint venture with Statkraft, operates 186 wind turbines. The production capacity at the end of 2015 was 1.5 TWh.

In July 2015, SCA's joint venture with Fred. Olsen Renewables, FORSCA, was granted an initial permit to build 113 turbines. The permit will be reassessed in 2016.

Other wind power projects

SCA's has a collaboration with E.ON Vind where E.ON Vind develops a number of wind power projects together with SCA. A total of 92 turbines were granted a permit in late 2014 and another 50 turbines are expected to be granted a permit in 2016.

A wind project independently developed by SCA was granted a permit to build 20 wind turbines. The project has been prepared for due diligence with a possible realization in 2018. Permit applications for another two projects, including a total of 150 turbines, were submitted for assessment.

Leasing land for wind power

SCA has leased land to various energy producers for more than 1,000 planned wind turbines. 134 turbines are already in operation with a total production of 0.76 TWh.

Biofuels

Developing and producing biofuels is both an efficient use of resources and beneficial for a low-carbon economy.

Update for 2015

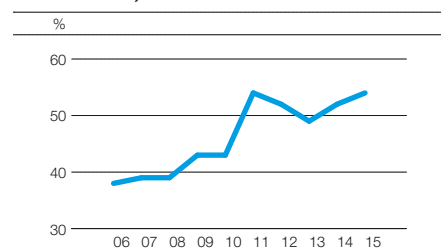
In 2015, SCA produced approximately 2.75 TWh (2.8) of biofuel-based energy, of which the production of forest-based biofuels accounted for approximately 610 GWh (687). The market situation, with a plentiful supply of competing fuels and low energy prices, held back production.

The forest-based biofuels comprise felling residue such as branches, crowns and stumps as well as fuel from peatland. Other biofuels are produced from the by-products of the mills, mainly sawdust, for pellet production.

Fuel pellets

SCA produces fuel pellets using sawdust from the mills at its pellet plants in Härnösand and Stugun in Sweden. In 2015, SCA began to source electricity to the two pellet plants from its Björkhöjden wind farm. SCA produced 174,000 tons of pellets of which 48% was sold to customers outside the Group. Fuel pellets are used in boilers of varying sizes, ranging from industrial scale to those used in the home. The market is currently characterized by narrow margins due to overcapacity. As a result of this situation, SCA is focusing on improving quality and increasing the internal use of pellets as a replacement for oil. SCA BioNorr also produces stall bedding pellets manufactured from sawdust. As of last year, the stall pellets are distributed in packs made of FSC®-certified paper and they earned the right to be marked with the Swedish Society for Nature Conservation's eco-label "Good Environmental Choice".

Use of biofuel, 2006–2015



SCA is working systematically to replace oil and coal with biofuel and natural gas, which has substantially increased biofuel's share of the energy supply.

Fiber sourcing

Responsible sourcing is key for SCA and includes ensuring the Group's fiber comes from responsible sources.

A new fiber sourcing target

In 2015, SCA introduced a new target for controlling the use of fresh fiber in its products. The new target states that "all fresh wood fiber-based raw material in our products will be FSC® or PEFC™ certified, or fulfill the FSC's standard for controlled wood." The target includes all deliveries of fresh wood fiber (timber, pulp, packaging, mother reels and articles supplied by third parties) to SCA's production sites. SCA already has good control of its fiber sourcing, and with the new target, the company will advance to an even higher level.

A global fiber database

SCA has a global fiber sourcing policy in place and a shared business system – the Global Fiber Database – for the assessment and purchase of fiber in compliance with SCA's forest management policies. The database includes all of the Group's pulp, recovered fiber and alternative fiber suppliers. It provides the purchasing function, environmental department, R&D department and production facilities with fast and easy access to important information about suppliers, region of supply, wood species, pulp specifications, bleaching methods and life cycle assessment data.

The information also includes the suppliers' product certification status: FSC® (Forest Stewardship Council), PEFC™ (Programme for the Endorsement of Forest Certification), Controlled Wood, ecolabels, ISO 9000, etc. As a result, SCA can ensure traceability, the R&D department can check the availability of a certain raw material and the mills can show customers exactly what has been purchased. The database is continually updated to support SCA's global operations.

Supplier verification

SCA requires pulp suppliers to guarantee that they have robust systems and documented procedures in place to ensure traceability and compliance throughout the supply chain. In 2015, SCA had 38 pulp suppliers, of which the ten largest accounted for 83% of purchases. All pulp suppliers are Chain of Custody (CoC) certified according to the FSC and/or PEFC. SCA's Fiber Sourcing Policy includes a step-by-step process to support suppliers in their transition to third-party certification.

Supplier audit results in 2015

SCA audits its suppliers to verify their compliance with the Fiber Sourcing Policy and supplier requirements. All suppliers were assessed to ensure continued compliance with the chain of custody certification. In addition, all suppliers

received questionnaires in order to update fiber and ecolabel information. Visits were also made to 11 sites in 2015. All suppliers demonstrated continued compliance with SCA's sourcing policies and were retained for continued supply.

Forest certifications and standards

SCA's target is to purchase all fiber from responsibly managed forests. SCA prioritizes the FSC certification system and encourages all suppliers to work toward certification.

We recognize several systems for forestry management, including the PEFC, SFI (Sustainable Forestry Initiative) and CSA (Canadian Standards Association). Other certification systems may be considered on a case-by-case basis.

All of SCA's wood-based industries are supplied with FSC-certified timber or timber that meets the FSC's controlled wood standard. About 56% of the 11.1 million cubic meters of timber delivered and 66% of the 2.0 million tons of pulp deliveries to SCA have FSC and/or PEFC certification. The remaining timber volumes meet the FSC's standards for controlled wood, while the remaining pulp volumes meet the FSC's standards for controlled wood or are inspected by SCA's own auditors.

SCA continued to roll out FSC and PEFC chain of custody in manufacturing sites, adding five sites to the list of chain of custody sites. In total, 43 of the 62 sites within the scope of the roll-out have been chain of custody certified. SCA's intention is to roll out the chain of custody to all remaining manufacturing sites.

Recovered fiber

SCA uses 75% fresh fiber and 25% recovered fiber in its operations. For a further breakdown at the product level, see Distribution of raw materials on page 57. The proportion varies between regions due to differences in consumer preferences and fiber supply and demand. The North American operations use almost 100% recovered fiber, while the proportion of recovered fiber is 78% in Latin America and 43% in Europe.

The declining use of publication papers in North America and Europe has led to limited supplies of recovered fiber. SCA partners with trade organizations and recycled paper operators to expand and improve the collection of recycled paper and board, thereby increasing the availability of recovered fiber. SCA is part owner in several paper-recycling companies, such as IL Recycling and Pressretur in Sweden, Bunzl & Biach in Austria, Paperinkerays in Finland and AFS in the US.

Forest management

As Europe's largest private forest owner, SCA takes a long-term approach to its responsible forest management.

Biodiversity

Around 2 million of SCA's 2.6 million hectares of forest land are managed for timber production. The remaining 600,000 hectares of less productive forest, bogs and other land are still valuable as a living environment for flora and fauna.

Areas that provide vital habitats for sensitive fauna and flora are exempted from forest management or are managed with the aim of enhancing the existing environmental values and biodiversity. Approximately 200 species in SCA's forests – over 100 species of insects, nearly 50 types of fungi and about 50 different kinds of mosses and lichens – are disadvantaged by forest management and require special consideration.

SCA has set aside nearly 7% of its managed forests to benefit biodiversity in its ecological landscape plans. SCA also takes extensive conservation measures in managing forest areas that do not contain any particular conservation value. During felling operations, individual trees, groups of trees and buffer zones are set aside to ensure that the conservation values inherent in older forests are preserved and become an integrated part of the new growing forest. In 2015, 14% of the 18,000 hectares planned for harvesting were preserved for nature consideration.

Seedlings

In 2015, SCA's forest-tree nursery produced 86 million seedlings, of which 43% were planted in SCA's own forest land. The remainder of the seedlings were sold to other forest owners.

Conservation parks

In 2015, two conservation parks comprising more than 4,000 hectares of forests deemed to be rich in biodiversity and cultural heritage were inaugurated in Sweden: Njurunda coast and Märtingsberget. At least half of the woodland areas in the conservation parks must be earmarked for or managed in a manner that promotes nature conservation and cultural values. SCA is also using the knowledge it has gained in these parks in its other forest operations. In total, SCA now has five conservation parks comprising more than 10,000 hectares.

Forest management and certifications

In 2015, SCA used a total of 11.1 million cubic meters of wood raw material, of which 54% was timber from own forests and chips from own sawmills.

SCA's forests are managed in line with the Forest Stewardship Council's (FSC®) ambitious standard for responsible forest management. In the 2015 FSC audit, the auditors found that SCA complies with the FSC forest management

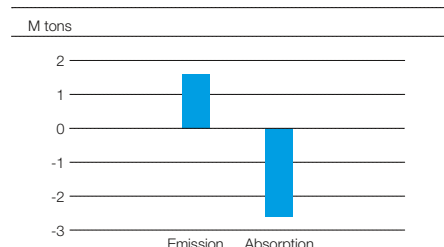
standard in a responsible manner. Eight minor CARs (Corrective Action Required) and four observations were noted. These included a request to ensure routines for consultation opportunities for relevant Sami communities in connection with forestry operations and that procedures for quarry operations are met. These CARs and observations will be followed up in the 2016 audit.

SCA's forests are also certified in line with the Programme for the Endorsement of Forest Certification (PEFC™) and the Group conducts controls based on both of these standards. SCA's forest management has been ISO 14001 certified since 1998.

Forest as carbon sinks

SCA's 2.6 million hectares of actively and responsibly managed forests provide an impressive carbon sink. Young, growing trees need 1.3 tons of carbon dioxide to produce each cubic meter of wood, making them one of the most effective means to reduce carbon dioxide levels in the atmosphere. SCA forests have a net growth of 1%, resulting in a net carbon sequestration of SCA's forests equivalent to 2.6 million tons annually. If half of the world's forests were managed like SCA's and deforestation was stopped, much of the climate change problem would be solved.

SCA's carbon dioxide emissions from own production and absorption in SCA's forests



The net uptake of carbon dioxide in SCA's forests is about 2.6 million tons, exceeding the carbon dioxide emissions from fossil fuel of 1.6 million tons generated by all of the Group's production.

Water

New targets for improved water usage.

Results 2015

SCA's 2010 water targets were finalized in 2015; to reduce water usage in water-stressed regions by 10% by 2015, with 2010 as a base year, and to employ mechanical and biological water treatment plants in all SCA pulp and paper mills. The water usage target was achieved already in 2013 with a 10.4% reduction and, in 2015, the accumulated reduction amounted to 18.7%. SCA achieved its water treatment target in 2015 when the Kunheim tissue site in France installed biological water treatment. The Kunheim plant is the first in its industry in France to use reed-bed lagoons for biological water treatment, see page 33.

New water targets

In 2015, SCA adopted new water targets with focus on both effluent water volume and quality. Our tissue sites will reduce the volume of effluent water and organic content (BOD) by 10% by 2020 (base year 2015), our forest products' mills will focus on reducing phosphorous emissions by 10%, and all sites will reduce their level of suspended solids by 10%. The new targets take a more holistic view on water, targeting the areas most material for the different business units.

Approach to water usage

The issue of water is being dealt with systematically – SCA monitors the volume and origin of the water it uses, as well as the quality of its effluent water. Most SCA mills, accounting for 97% of the Group's water usage, are located in areas of water abundance. About 60% of the Group's water usage is used to transport fibers during production processes and the remainder is mainly used as cooling water. 90% of the water used is drawn from surface sources.

SCA's reporting encompasses all production sites and, in 2015, the Group used 206 million cubic meters of water (206) in pulp and paper production.

Effluent water treatment

SCA works continuously to enhance its effluent treatment and thus the quality of the effluent water discharged from its plants. Mechanical treatment removes suspended solids, sand and particles, while biological treatment extracts dissolved solids and organic impurities that affect biological oxygen demand (BOD) and chemical oxygen demand (COD).

Waste management

SCA takes a life cycle approach and promotes resource efficiency in relation to its production, products, services and innovations. SCA initiates partnerships and evaluates solutions to minimize waste – from raw materials to end-consumer.

Production waste

In SCA's production process, waste is generated in the form of ash, sludge, organic waste and/or plastic. The production sites proactively work to reduce waste and to find alternative solutions for its waste. A significant part (1.2 million tons or 65%) is used as raw materials in other industries, such as the construction industry, or as an energy source.

Together with an external partner in the Netherlands, SCA is testing the possibilities of using pyrolysis technology to extract energy from sludge. Read more on page 27.

Between 2014 and 2015, the amount of waste sent to landfill declined by 8,200 tons. Of this amount, the personal care sites reduced their waste to landfill by 1,000 tons, corresponding to a 36% reduction.

Products and services

In 2015, the EU Commission presented its circular economy strategy that will lead to societal change in many areas. SCA recognizes the need for solutions that drive the circular economy and actively applies this thinking to all of its products.

SCA uses life cycle assessments (LCAs) to minimize waste, all the way from the product design stage to manufacturing and end-use. Reducing the environmental impact of products throughout the product cycle, including the post-user phase, is part of SCA's innovation process. Compared with 2008, Libero diapers weigh on average 20% less and the corresponding weight reduction for TENA products is 12%.

TENA Solutions is an example of how a holistic perspective in relation to incontinence care has resulted in 31% less waste, see page 41.

SCA's tissue and forest products consist of wood fibers that, in addition to being renewable, can also be recycled. Recycling of materials from personal care products, such as baby diapers, is currently limited by the available technology, hygiene requirements and lack of viable business models. Energy recovery through incineration of hygiene products is a good alternative to landfill, since 25–80% of the material in personal care products and up to 100% in tissue products is renewable.

Another solution for tissue products is composting and SCA has several products in the US

market that are certified as compostable, such as Tork Advance and Tork Universal.

An efficient way to reduce tissue waste is to focus on the user perspective. SCA develops dispensers that reduce consumption during use, such as Tork Xpressnap that reduces consumption by at least 25% compared with a traditional dispenser.

The packaging component normally accounts for 3-7% in a product life cycle. SCA has achieved a substantial packaging reduction in some of its products. Between 2008 and 2015, packaging was reduced by 3-21% for TENA products and by 5-20% for feminine hygiene products. Packaging for open diapers was reduced by 23%, while it increased by 15% for pant diapers. The rise was due to storage problems, which required packaging to be increased.

Post-consumer waste

SCA recognizes the need for solutions to address post-consumer waste and the materials we use should be compatible with current and future waste management systems.

SCA is involved in several post-consumer waste initiatives. Biodegradable waste from SCA's office in Neenah, in the US, is converted into compost and electricity in a dry anaerobic biodigester at the University of Wisconsin, Oshkosh. The total operation provides about 10% of the energy used at the campus. It also allows SCA to compost a wider variety of materials, including food waste and all paper, which diverts nearly 50% of the overall office waste from landfill.

An ongoing collaboration with Casella Waste Systems and Foley Distributing in the US allows SCA to be part of a process encouraging further recycling directly into new goods. Casella collects recyclable material on college campuses in the northeastern US states and, in return, provides colleges with data to calculate their own carbon footprints. Since mid-2012, the recycled material is delivered to SCA's paper mill in South Glens Falls, N.Y. as a source of recycled fiber, and is further fashioned into new, 100% recycled-content hand towels and tissue. Foley, a distribution company, then delivers new products back to the colleges.

Environmental complaints

A few of SCA's production facilities are located in residential areas where it is important to engage in active dialog with the surrounding community. For example, this dialog may be conducted in the form of large meetings or by providing information on how complaints can be made. All environmental complaints are investigated and measures are taken where necessary. In 2015, 102 (125) cases were reported to the plants. Complaints usually relate to noise, bad smell or vibrations. In a small number of cases, reports were received regarding exceedance of effluent limit values. Local authorities are always involved in such instances.