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This is SCA

SCA'S VISION

Dedicated to improving well-being through leading hygiene and health solutions

MISSION

To sustainably develop, produce, market and sell value-added hygiene and forest products and services

NET SALES

117

SEKbn

SALES IN

100

countries

EMPLOYEES

46,429

As of December 31, 2016

2016 AT A GLANCE

2

MILLION
PEOPLE RECEIVED
HYGIENE EDUCATION



0

ACCIDENTS
RECORDED AT
23 SCA SITES

77

MILLION
SEEDLINGS WERE DELIVERED



91

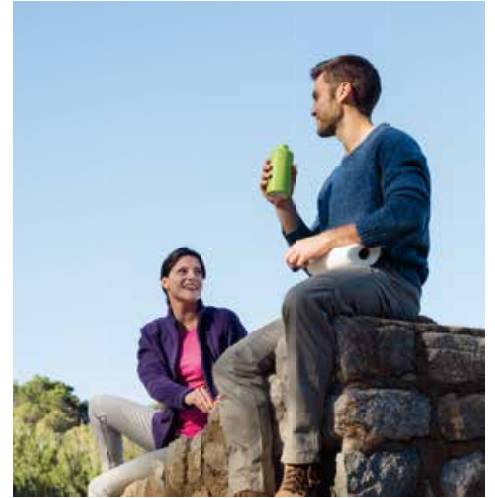
PERCENT
RECEIVED CODE OF
CONDUCT TRAINING



500

MILLION
PEOPLE USED SCA'S
PRODUCTS EVERY DAY

SCA in brief



Libero



Personal Care

SCA is a global leader in personal care. The company develops, produces, markets and sells incontinence products, baby diapers and feminine care products. Within these product segments, SCA also offers such products as wet wipes, soap, lotion, baby oil and cotton pads. The products are sold under SCA's global and regional brands, such as Libero, Libresse, Nosotras, Saba and TENA, as well as under retailers' brands. Distribution channels for the products are the retail trade, online sales, pharmacies and care institutions.

29%

of SCA's net sales for 2016



Tissue

SCA is a global leader in tissue. The company develops, produces, markets and sells consumer tissue and Away-from-Home (AfH) tissue. The consumer tissue product portfolio comprises toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. In the consumer tissue segment, products are sold to retailers under SCA's own brands, such as Lotus, Regio, Tempo and Zewa, as well as under retailers' brands. In the AfH tissue segment, SCA develops and markets complete hygiene solutions, including toilet paper, paper towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, sensor technology, service and maintenance for institutions and companies, under the globally leading brand Tork. Distribution channels for the products are the retail trade, online sales and distributors.

57%

of SCA's net sales for 2016



Forest Products

SCA is Europe's largest private forest owner, with 2.6 million hectares of environmentally certified forest land, and produces forest products with a strong environmental profile. SCA's forest asset is a unique growing resource that represents the core of the business area's operations and enables the supply of wood raw materials and energy at a competitive cost to the company's forest products operations. The company has a well-integrated value chain with production facilities close to its forest holdings. SCA develops, produces, markets and sells solid-wood products, pulp, kraftliner, publication papers, pellets and other biofuels as well as district heating and green electricity.

14%
of SCA's net sales for 2016



AWARDS AND MEMBERSHIPS

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



About the report

SCA's annual Sustainability Report outlines the Group's sustainability efforts during the 2016 calendar year from an environmental, social and economic perspective. The report has been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative (GRI), Core option, and is also SCA's Communication on Progress to the UN Global Compact. The report has been reviewed in its entirety by EY. For further information regarding the Sustainability Report and its reporting principles, see page 65.



Step by step toward a sustainable future

SVP Group Sustainability Kersti Strandqvist and CEO Magnus Groth.

Magnus Groth, SCA's President and CEO, and Kersti Strandqvist, SCA's SVP Group Sustainability, can look back on an eventful 2016. It was the year when SCA initiated work to divide the company to form one hygiene and one forest products company, the year we signed an agreement to acquire the medical solutions company BSN medical, the year we completed and integrated the acquisition of the tissue company Wausau Paper and the year when we began the journey toward becoming the thought leader in hygiene.

Magnus, what are your thoughts on the past year?

MG: If the Annual General Meeting approves the separation of SCA into one hygiene and one forest products company, then this would signal the start of a new era in the history of the company. This will entail new business opportunities and each company can focus on its operations in a completely different way. A separation is the best method to create shareholder value and customer benefits in the future.

The acquisition of Wausau Paper involves a significant strengthening in the North American Away-from Home market and the integration has exceeded expectations, both in terms of synergies and margins. The announced acquisition of BSN medical at the end of the year will be our largest ever acqui-

sition. This means we are entering the field of medical technology, which opens up new business opportunities.

During the year, we developed a new vision and our strategic framework based on the needs of our stakeholders, which of course includes customers and consumers. It is pleasing to have so many satisfied customers, which resulted in a number of awards (refer to page 13). All this, at the same time as we have generated growth and profitability and launched 23 innovations in the market.

Health and safety are always a top priority and it is with deep regret that I note one fatality in our operations during the year. Occupational safety will remain high on the agenda and I welcome a 27% decrease in our accident frequency rate in 2016.

Why have you revised the strategic framework?

KS: We are proud that sustainability has been an integral part of our operations for many years and the new strategic framework will make it much clearer. Our new vision pursues the long-term goal, "Dedicated to improving well-being through leading hygiene and health solutions", and we have formulated Group targets where we clarify our ambitions for customers and consumers, society and our employees. We are thereby strengthening our ambitions to raise the hygiene standards in the markets where we are active and consolidate our environmental ambitions under the objective to contribute to a sustainable and circular society.

In 2015, the United Nations introduced its global Sustainable Development Goals (SDGs) and in 2016 the world attempted to decide how these can be converted into action. What does this mean for SCA?

KS: Work aimed at fulfilling the SDGs will make the world a little better at the same time as they create good business opportunities for companies around the world. Not least in the fields of health, hygiene and sanitation, where we have outstanding expertise. We are determined to do what we can to contribute to achieving the 17 SDGs.

“We are determined to do what we can to contribute to achieving the 17 UN Sustainable Development Goals.”

MG: For us, it is important to contribute with our business operations but also to take part in the global debate, which we mainly do via our Hygiene Matters initiative. Through Hygiene Matters, we want to raise hygiene standards worldwide, increase awareness of the link between hygiene, health and well-being and break the taboos surrounding areas such as incontinence. During the year, this took the form of a global hygiene survey and a hygiene report that we produced in cooperation with the UN's Water Supply and Sanitation Collaborative Council (WSSCC). We presented the report in conjunction with the UN General Assembly Session in New York in September. We have also collaborated with the United Nations Foundation, which aims to bring together businesses, authorities and NGOs to cooperate on the UN SGDs (refer to page 17).

One of your new Group targets aims to contribute to a circular society, what does this mean for you?

MG: We have a long tradition of working in many areas, such as resource efficiency and innovation. We have reduced the environmental impact of all of our product categories and have worked with energy efficiency enhancements as part of our ESAVE program since 2010. We have now also initiated MSAVE, where we will optimize our raw material use at the same time as we minimize environmental impact and waste, and introduced a new target for production waste (refer to page 29).

KS: Innovation has a crucial role to play in achieving a circular society, both our own activities and those we conduct in cooperation with others. To inspire new innovations and business solutions, we have joined the Circular Economy 100 (CE 100), an Ellen MacArthur Foundation program established to work toward a circular economy. We work with people and nature innovations where the criteria are that they should give rise to social and/or environmental improvements. Last year, 40% of innovations were for people and nature. The compact tissue Okay Compressé and Tork SmartOne, which reduces the consumption of toilet paper, are two examples of innovations that are good for both the environment and your wallet and where we help consumers make good choices.

KS: Post-consumer waste will be one of the major challenges we face in the future and we believe that cross-boundary cooperation, with customers, businesses and organizations, will contribute to new solutions. We are already running some projects together with our customers, where we collect and recycle paper towels, but we need to continue working to find other solutions, such as for baby diapers.

Any other important issues over the past year?

MG: We were fined for cartel activities in Colombia and Spain. I wish to emphasize that we have zero tolerance for this type of unethical behavior and we have intensified our efforts to help our employees do the right thing. In addition to mandatory e-learning courses, we have introduced a concept we call “Ethical Dilemmas”, where we offer employees the opportunity to participate in an in-depth discussion about challenges in day-to-day work. The concept aims to increase understanding and create a culture characterized by integrity (refer to page 20).

Any thoughts about next year?

MG: 2017 will be an intensive and exciting year, with the proposed separation of SCA into two companies and the integration of BSN medical. We will continue to develop innovations that can help people in their everyday lives and work to establish ourselves as a thought leader in hygiene.



Kersti Strandqvist participated in a panel discussion at the launch of the Hygiene Matters report, which took place in conjunction with a session of the General Assembly of the United Nations in New York in September.



Magnus Groth gave the opening speech when SCA and the UN Foundation held a dialog in October at the UN Headquarters in New York on the UN's global agenda for sustainable development.

How SCA creates value, today and in the future

SCA's business operations are based on a sustainable business model with a focus on value creation for people and nature. The basis for our targets and our strategy is an insight into market trends and remaining receptive to the needs of our stakeholders.

1

EXTERNAL TRENDS AND DRIVERS

Global macrotrends, from population growth and higher living standards to resource scarcity and climate change, have a major impact on SCA's business operations. We

have identified a number of macro-economic drivers that we believe are most relevant to our business. By analyzing our operating environment and these drivers, we can leverage opportunities and avoid the risks associated with them.



2

DIALOG WITH THE WORLD

Millions of people across the globe have an impact

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

READ MORE ON PAGE 35 ➔



3

OUR CROSSROADS

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

READ MORE ON PAGE 37 ➔



4

A SUSTAINABLE BUSINESS STRATEGY CREATES VALUE



Large-scale sustainable solutions based on innovative, new thinking are needed if we are to leave a sustainable society behind for our children. We must leverage business opportunities and address the challenges that arise in a changing world in order to create real value for people and nature. SCA updated its strategic framework in 2016, keeping in mind future opportunities and challenges and based on the needs and expectations of stakeholders.

SCA's new, purpose-driven vision is "Dedicated to improving well-being through leading hygiene and health solutions". The updated framework also includes the following three new Group objectives: "Enable more people every day to enjoy a fuller life", "Contribute to a sustainable and circular society" and "Enable our employees to realize their full potential, as part of one winning team".

Sustainability has been an integral part of our strategy and business model for some time and this is even clearer in the updated strategy with the new Group objectives. The objective to "Generate increased shareholder value through profitable growth" has been retained, with growth in the

hygiene area being an important part of SCA's financial value creation.

However, SCA not only creates value for its shareholders. The objective to "Enable more people every day to enjoy a fuller life" shows how we, through our hygiene and health solutions, create value for customers and consumers. The objective to "Contribute to a sustainable and circular society" includes how we want to minimize our environmental impact and develop products and services that function in a circular society and to "Enable our employees to realize their full potential, as part of one winning team" includes programs for current and potential employees.

The strategy is based on a number of international regulatory frameworks and guidelines that will be highly significant for the business community in the future. SCA supports the United Nations' 17 Sustainable Development Goals and we want our business operations to contribute to the goals. The goals that we have defined as most relevant for our operations are:

No. 3 Good health and well-being – we provide access to innovative solutions and educate and provide information to millions of people about hygiene and health. Business value is also created by meeting societal needs. This offers more people an opportunity to work, better conditions to provide for their families and increased well-being.

No. 5 Gender equality – we are breaking the taboos surrounding subjects such as menstruation and incontinence and offer women, girls and family carers an opportunity to fully participate in society. A key role is played by our Hygiene Matters initiative.

No. 6 Clean water and sanitation – access to sustainable hygiene solutions. Every day, about 1,000 children under the age of five die from diarrhea caused by insufficient access to water, sanitation and hygiene.

No. 12 Sustainable consumption and production – we work with resource efficiency, design our products for a circular society and develop sustainable models to manage waste.

VISION

Dedicated to improving well-being through leading hygiene and health solutions

LONG-TERM OBJECTIVES

Generate increased **shareholder** value through profitable growth

Enable more **people** every day to enjoy a fuller life

Contribute to a sustainable and circular **society**

Enable our **employees** to realize their full potential as part of one winning team

FINANCIAL TARGETS

- Organic sales growth
- Return on capital employed
- Capital structure

PEOPLE AND NATURE TARGETS

- Hygiene solutions
- People innovations

- Nature innovations
- Code of Conduct
- Climate and energy
- Fiber and biodiversity
- Water
- Production waste

- Employee health and safety
- Code of Conduct

No. 7 Clean energy and **no. 13 Climate action** – we work to reduce climate impact in the entire supply chain and guarantee the origin of the wood fiber we use. We invest in renewable energy, including wind power and biofuel.

No. 15 Life on land – we conduct responsible forest management and preserve biodiversity in our forests.

A reduction in greenhouse gas emissions to the levels that researchers believe necessary will require an extensive shift to clean, energy-efficient technology and companies that lead this field will benefit most. The agreement by the international community to limit global warming to well below 1.5 degrees at the COP 21 meeting in Paris in 2015 provides guidance on the issue. The European Commission's action plan for a circular economy has influenced us when we developed our objective for a circular society.

Targets and outcome



TARGET

Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 50% in the 2014–2020 period.

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

OUTCOME 2016¹⁾

The accident frequency rate was 4.6 per million hours worked, a decrease of 31%. Compared with 2015, the decline was 27%. A tragic fatality occurred at the Mannheim site in Germany.

By the end of 2016, 87% of SCA's 63 main sites were certified according to OHSAS 18001.

Reduction in accident frequency rate

-31%

Accident frequency rate 
OHSAS 18001 



TARGET

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

OUTCOME 2016¹⁾

40% of SCA's innovations improved in terms of social and/or environmental criteria.

Examples of SCA's people and nature innovations include TENA Lady Pants, Tork SmartOne and Okay Compressé.

Share of people and nature innovations

40%



TARGET

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

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

OUTCOME 2016¹⁾

SCA held the number one or two position in at least one hygiene product segment in about 90 countries. Around 500 million people used SCA's products every day.

The hygiene educational programs SCA conducts world-wide reached 2,000,000 people. We offered a broad portfolio of products, ranging from the premium segment to the economy segment.

Millions of people who used SCA products every day

500



TARGET

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

We evaluate all of our supply streams from a total risk perspective. By 2020, we aim to source 100% of our procurement spend from suppliers committed to the criteria specified in our Global Supplier Standard.

OUTCOME 2016¹⁾

91% of employees have received Code of Conduct training.

At year-end, 46% of the hygiene operations' procurement spend was sourced from suppliers committed to the criteria specified in SCA's global supplier standard. Of Forest Products' 23 largest suppliers, 87% had signed the Global Supplier Standard.

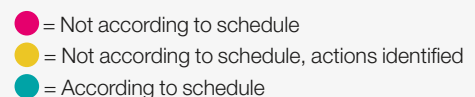
Employees trained in the Code of Conduct

91%



¹⁾ Excluding Vinda.

²⁾ Excluding the sites in Munksund and Östrand, Sweden.





Climate & Energy

TARGET

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

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

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

OUTCOME 2016¹⁾

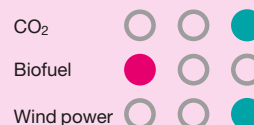
At year-end 2016, CO₂ emissions in relation to the production level had declined by 18.4%.

SCA's production of biofuel from its own forests amounted to 740 GWh.

Wind energy from SCA forest land totaled 2.3 TWh.

Reduction in
CO₂ emissions

-18.4%



Fiber Sourcing & Biodiversity

TARGET

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.

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

OUTCOME 2016¹⁾

In 2016, 6.5 million tons of fresh fiber were delivered as timber, pulp, packaging, mother reels and products from a third party. 57% of fiber was FSC/PEFC certified, 42% fulfilled FSC criteria for controlled timber and 1% came from controlled suppliers.

7% of SCA's productive forest land has been set aside from forestry in the long term in our ecological landscape plans. In 2016, 13% of the area in planned harvesting sites was set aside for preservation.

Share of fiber that is FSC/PEFC certified or fulfils the FSC's standard for controlled wood

99%



Water

TARGET

Our plants will reduce suspended solids by 10%.

Our tissue operations will reduce the water usage by 10% and organic content (BOD) by 10%.

Our forest products operations will reduce phosphorous emissions by 10%.

All targets will be achieved by 2020 (reference year 2014).

OUTCOME 2016¹⁾²⁾

Our plants reduced suspended solids by 12.5%.

Our tissue operations reduced the water usage by 1.5% and organic content (BOD) by 3.3%.

Our forest products operations increased phosphorous emissions by 35.6%.

Reduction in
suspended solids

-12.5%



Financial Targets

TARGET

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

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

SCA is to maintain a solid investment grade rating.

OUTCOME 2016

The adjusted return on capital employed, excluding items affecting comparability, was 12.5%. The adjusted return on capital employed was 31.8% for Personal Care, 13.5% for Tissue and 5.7% for Forest Products. Organic sales increased by 3% for Personal Care and 3% for Tissue, while Forest Products decreased by 3%. SCA had a solid investment grade rating.

Adjusted return
on capital employed

12.5%