

Satisfied customers and consumers

SCA's products and services contribute to simplify everyday life for many people. We are there for our customers and consumers. To succeed, we must understand their needs and how we can best meet them through our offering.

Customer understanding and consumer insight determine the innovations we develop and how we deliver finished products and services to the market. Under the right circumstances, we can contribute to improved quality of life, health and well-being among our target groups.

We study the world around us and identify trends and new needs, and we enter into a dialog with our customers and consumers. We learn a great deal from SCA's sales repre-

sentatives and we conduct regular customer satisfaction surveys.

We engage in a dialog with consumers through focus groups and in-depth interviews. We observe consumer and customer behavior, for example, through home visits. We also gain insight into the needs of consumers and their perceptions of our products by following the discussions on such websites as www.libero.com and www.girls1st.se, and on social media.



The Red.fit campaign was a viral success.

Red.fit challenges preconceptions about menstruation and exercise

Menstruation and exercise is still surrounded by stereotypes and taboos. The idea is common that exercise during menstruation is injurious and that performance deteriorates, and many women are worried that you can see when they are menstruating.

Libresse, SCA's feminine care brand, wants to change this. The Red.fit initiative offers advice and guidance on exercise, nutrition and diet as well as motivation, to feel at your best, regardless of the time of the month.

Red.fit was first launched in the UK with the film "Blood", which became a viral success with more than 4 million viewings. Libresse and Red.fit is breaking the silence about menstruation in sport with the help of the footballer Lotta Schelin and the freestyle skier

Tiril Sjøstad Christiansen in Sweden and Norway respectively.

Red.fit is the result of a research project, financed by SCA and Libresse, which studies the impact of the menstrual cycle on physical performance and health. The project is supported by the researcher and long-distance athlete Georgie Bruinvels at St. Mary's University in the UK.

"Red.fit is the perfect expression of our brand strategy 'Live fearless'. Menstruation is the last taboo for women in sport, simply because we lack knowledge and a dialog. The collaboration with St. Mary's will help us to challenge stereotypes and to change attitudes toward menstruation and exercise," says Martina Poulopati, Global Brand Communications Manager at SCA.

Red.fit has already yielded results. As a result of the campaign, the Norwegian Olympic and Paralympic Committee have included questions about menstruation in its health check routines for women athletes.

SCA supports new center for international incontinence research

The Gothenburg Continence Research Center, a new center for international incontinence research, has been established at the Sahlgrenska Academy at the University of Gothenburg. SCA has provided economic support to enable the initiative. Approximately 100 researchers in various disciplines are associated with the Center, including Adrian Wagg, one of the world's leading researchers in elderly care and incontinence.

The first research projects began at the end of the year, among these a project to ascertain why some men suffer from incontinence after undergoing a prostate operation.



"The new research center will provide us with important insights into incontinence care and help us to develop even better products and services,"

Hans Bergh, Global Brand Director at SCA and responsible for cooperation with the research center.



Pregnant couples can feel a stronger connection by using Libero's pregnancy bracelet.

Joint pregnancy with the world's first pregnancy bracelet

Libero, SCA's brand for baby diapers, has launched the "pregnancy bracelet" Baby-Buzz, which introduces a new way to experience pregnancy, also for the parent who is not actually pregnant.

"Like a text message, but from the baby" – this is how some of the first couples to test the product have described it. Simply by pressing her bracelet, the mother sends a vibration, a buzz, to her partner's bracelet when the child kicks or makes its presence felt in some other way.

Libero had the idea for the bracelet from its own parent forum where couples wrote that

they wished pregnancy could become more of a joint experience. Various technology and prototypes were tested over two years and resulted in a product that was launched in Sweden in autumn 2016.

"Our studies have confirmed that there is a gap between the pregnant and the non-pregnant parent. Both want the same things but do not quite reach each other. We are happy to contribute to a good start for new parents," says Camilla Svensson, Marketing Manager at Libero.

BabyBuzz can be borrowed free of charge via libero.se/babybuzz.

A SELECTION OF CUSTOMER AWARDS IN 2016

"Supplier of the Year"

in North America from the distributor Bunzl

"Best Sustainability Performance"

from the distributor Lyreco

"Best Supplier of Non-food Groceries"

from Wal-Mart in Mexico

"Manufacturer of the Year"

from the UK's Foodservice Packaging Association (FPA)

"Supplier of the Year"

from Cardinal Health Canada

"North American VIP Partner Award"

in Canada and

"North American Cornerstone Partner Award"

in the US from

Gordon Food Service (GFS)



Our work with sustainability convinced the Yellowstone National Park to choose SCA as supplier.

Yellowstone National Park protecting precious resources by using Tork products

The Yellowstone National Park in the northwest of the US is the oldest national park in the world and is included on the UNESCO World Heritage List. The park is run by Xanterra Parks and Resorts, a company that puts care for the environment and natural resources first and which wants to cooperate with suppliers who share its values. SCA fulfilled the criteria and delivers tissue to Yellowstone's restaurants and washrooms. SCA was the first manufacturer in the US to receive the EcoLogo certification for its 100% recycled tissue, but above all our holistic approach to sustainability throughout the value chain convinced Xanterra to choose

us as supplier. We have a program we call SmartFit, where we look at everything from product packaging to transport from a sustainability perspective. This enables us to maximize transport capacity, reduce fuel usage and cut energy consumption within warehouse storage.

"SCA is environmentally accountable in every step of its manufacturing process, from using recycled raw materials, conserving energy and eliminating the release of chlorine compounds," says Chris Lane, Vice President of Environmental Affairs at Xanterra. "Much like our own company mission, SCA doesn't just talk green, it acts upon green".

Challenges become business opportunities

SCA has the opportunity to meet social and environmental needs and improve well-being for millions of people. Through the innovation of products and business models, challenges can be transformed into business opportunities and form the basis for our future offerings.

SCA develops innovations for people and nature. These new solutions offer improvements for the user or for the environment thanks to superior materials, function of design, or more efficient processes or logistics. Innovations that meet needs in new and sustainable ways will give us a competitive advantage.

Systematic creativity

SCA's innovation process starts with insight about a need or with a new technical solution. By maintaining close proximity to our customers and consumers, understanding their needs and transforming this knowledge into products and solutions, SCA makes a positive contribution to people's everyday lives. By integrating environmental issues and social needs into the innovation process, we can monitor how we improve the sustainability profile of our innovations.



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

OUTCOME 2016 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.

Big for being small

During the year, SCA launched a new household towel in France, Okay Compressé. What's clever is the size: the compact household towel is as effective and has as many sheets as a normal Okay towel but is only half the size of a standard towel.

"Okay Compressé is just as good in the kitchen and is better for the environment", says Nicolas Estrella, Global Technical Innovation Manager at SCA.

The household towel has been compacted using innovative technology that has been patented. Packaging is 30% smaller and truck transportation has fallen by 36%. This helps to reduce greenhouse gas emissions by 8% in the product's whole life cycle. Being small really is big news.



Through the use of a patented compression technology, Okay Compressé's household towels are half the size of standard household towels.

New Tork SmartOne reduces paper consumption

The Tork SmartOne toilet paper dispenser is designed for use in schools, hospitals, stadiums, railway stations and other environments with stringent demands on cost control and hygiene. Consumption of toilet paper can be reduced by up to 40% compared with traditional jumbo roll dispensers. Only one sheet is dispensed at a time, which also reduces the risk of pipe blockages.



Reduced climate impact from packaging paper

SCA produces kraftliner, a fresh fiber-based packaging paper, at its plants in Obbola and Munksund in Sweden. During 2006–2016, the carbon footprint of the product decreased by 30% as the result of a long-term investment program to develop the kraftliner mills and a continuous, highly prioritized program to replace fossil fuels with biofuels. One example is an investment in a new lime kiln that is fueled with pellets instead of oil at the Munksund facility, which reduced annual CO₂ emissions from fossil fuels by 20,000 tons or 75%.

CIRCULAR OPPORTUNITIES

Companies and society will need to think in new and innovative ways as part of the transfer from a linear economy, where we manufacture new and dispose of the old, to a circular economy, where we minimize resource consumption and waste, and instead recycle and reuse.

SCA has become a member of the Ellen MacArthur Foundation's Circular Economy 100 program (CE100), which was started to help companies and organizations develop new circular solutions. Membership offers SCA new insights and ideas that can be converted into innovations and business solutions which contribute to creating a circular society. SCA places considerable emphasis on the problem of post-consumer waste and is working to solve this issue.



Like everyday underwear

Protection is of course the first consideration when you use incontinence products, but why compromise on discretion or appearance? TENA's innovation team has taken this wish and created TENA Lady Pants, the TENA product that is closest yet to everyday underwear.

TENA Lady Pants is an absorbent, disposable pant with a feminine design and cotton feel, it looks like your everyday underwear and protects against leakage, odor and moisture. A thinner core and anatomic fit combine with the cotton feel to offer greater comfort and discretion. In addition, the thinner design makes the product better for the environment by reducing its climate impact by 19%.



TENA Lady Pants is an absorbent, disposable pant that feels like your everyday underwear.

Better hygiene for better health



Improved hygiene is a central focus area in most of what SCA does. Every day, some 500 million people use our hygiene products. The more SCA grows, the more people have an opportunity for improved hygiene and well-being. SCA has the knowledge, solutions and ambitions to make a difference.

Simpler everyday life

SCA's products and services cover all phases of life and benefit both individuals and society as a whole. We are happy to share our knowledge of hygiene, for example, by educating girls about menstruation, or nurses about incontinence.

SCA's products are available in about 100 countries and we adapt our practices to meet specific market needs. Sometimes social entrepreneurship and new strategies are required in order to operate in certain markets. It is also possible to create a market in regions with more limited purchasing power. For example, SCA sells smaller packages with only one or two products in each package. These packages cost less, which increases the availability of hygiene and sanitation solutions since more people can afford them. This results in improved hygiene and health among new groups.



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

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

OUTCOME 2016 SCA held the number one or two position in at least one hygiene product segment in about 90 countries.

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

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

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



Amina Mohammed, Deputy Secretary-General of the UN and chair of the WSSCC, was one of the keynote speakers when the Hygiene Matters report was launched in New York in September.

Hygiene matters

Poor hygiene and sanitation constitute a barrier for the health, livelihood and development of millions of people. Through the Hygiene Matters initiative, we want to increase awareness of the importance of hygiene and its link to health and well-being and break the taboos about issues such as menstruation and hygiene.

SCA is helping to raise hygiene standards worldwide through its business model and hygiene solutions. Two integral components of the Hygiene Matters initiative are a global consumer survey and the Hygiene Matters report. The 2016/2017 report looked at the economic value of investing in hygiene, breaking taboos and stigma surrounding menstruation and incontinence, and also innovative solutions for the future. For the first time the report was created in collab-

oration with the WSSCC (Water Supply and Sanitation Collaborative Council). The WSSCC is the only UN body that works solely with sanitation and hygiene issues.

The report was launched in conjunction with the UN General Assembly Session in New York at the end of September. The main speaker was Amina Mohammed, chair of the WSSCC and Deputy Secretary-General of the United Nations, and Ewa Björling, former trade minister in Sweden and member of the SCA Board. An interesting debate was held with leading representatives from the UN Sustainable Development Solutions Network and CEO Water Mandate, among others.

In October, companies, authorities and non-governmental organizations gathered in New York to take part in the UN Foundation's fourth annual dialog, convened by SCA,

about the UN's global agenda for sustainable development. The UN Foundation acts as a link to the UN – the organization gathers the business community and civil society to help the UN tackle some of the world's most pressing issues, one of which is global health.

SCA's representatives at the meeting included President and CEO Magnus Groth, who also gave the opening speech. He emphasized the key role the business community has to play, and that cooperation between the public and private sector is important if the world is to succeed in reaching the UN's Sustainable Development Goals.

Several panel debates emphasized cooperation between sectors as a way to inspire decision-makers to move the world forward. SCA contributes through its extensive commitment to hygiene and health, and by sharing our insights with others.

SCA had also invited a number of customers to discuss how the UN's Sustainable Development Goals will impact the business community, as a means to support its customers in their sustainability work.

SCA AND VINDA STRENGTHEN ELDERLY CARE IN CHINA

During the year, SCA, Vinda and the city council of Jiangmen signed an agreement that SCA and Vinda would help to improve elderly care in Jiangmen, in south-eastern China.



The world's population is becoming older. Already today, persons aged 60 and above account for approximately 15% of China's population of 1.4 billion. This development means elderly care is becoming a higher priority.

The first stage in the partnership will be a pilot program to train care providers to offer individualized incontinence care and to provide a good environment for elderly care in Jiangmen. The project includes establishment of a unit for developing relevant products for incontinence and elderly care.

Several senior representatives for SCA, Vinda and Jiangmen were present at the signing of the agreement. SCA's CEO

Magnus Groth spoke of how important correct healthcare and care is for individuals with incontinence. Jiangmen's mayor Deng Weigen stressed the value of cooperation and that China can benefit from the experiences of others in order to make the most of its investments in elderly care. Representatives for Sweden's Ministry of Health and Social Affairs were also present when the agreement was signed. They welcomed the cooperation and emphasized the importance of concrete health initiatives within the framework for the partnership between Sweden and China.

SCA operates in China's market for hygiene products through its majority shareholding in the hygiene company Vinda. Jiangmen is located in the south-eastern Chinese province of Guangdong and has 4.5 million inhabitants.

Knowledge contributes to making a better world

We share our hygiene expertise as this will help raise living standards, improve health and increase well-being in the world. Last year, we educated 2,000,000 girls, women, children, parents, caregivers and care providers around the world.



1,485,400 young women were educated about menstruation and puberty, mainly in Latin America and Asia. The courses in schools are intended to teach girls about what happens to their bodies during puberty, to break the silence and taboo surrounding menstruation and to build a market for SCA's brands.



95,500 nurses and other caregivers were trained in incontinence, individualized incontinence care, skincare and dementia across the globe.



34,900 people were educated in hand washing. Using the cartoon characters Max and Ella, children carried out experiments, solved problems and learned practical tips about hand hygiene in a fun and inspiring way. "Ella's hand washing adventure" is available as a smartphone app for the iPad and Android.

Strong commitment to a dignified life

4–8% of the world's population, or approximately 400 million people, suffer from incontinence. SCA offers solutions to manage incontinence and works to combat taboos and stigma, to ensure that as many people as possible are given the right care and a dignified existence.

One of SCA's most important initiatives is the Global Forum on Incontinence (GFI), a conference that attracts patients, experts in care and health and decision makers such as politicians, regulators or payers, as well as caregivers and NGOs from around the world. It is a unique opportunity for participants with differing perspectives and opportunities to influence and discuss how incontinence can be addressed, prevented and cured.

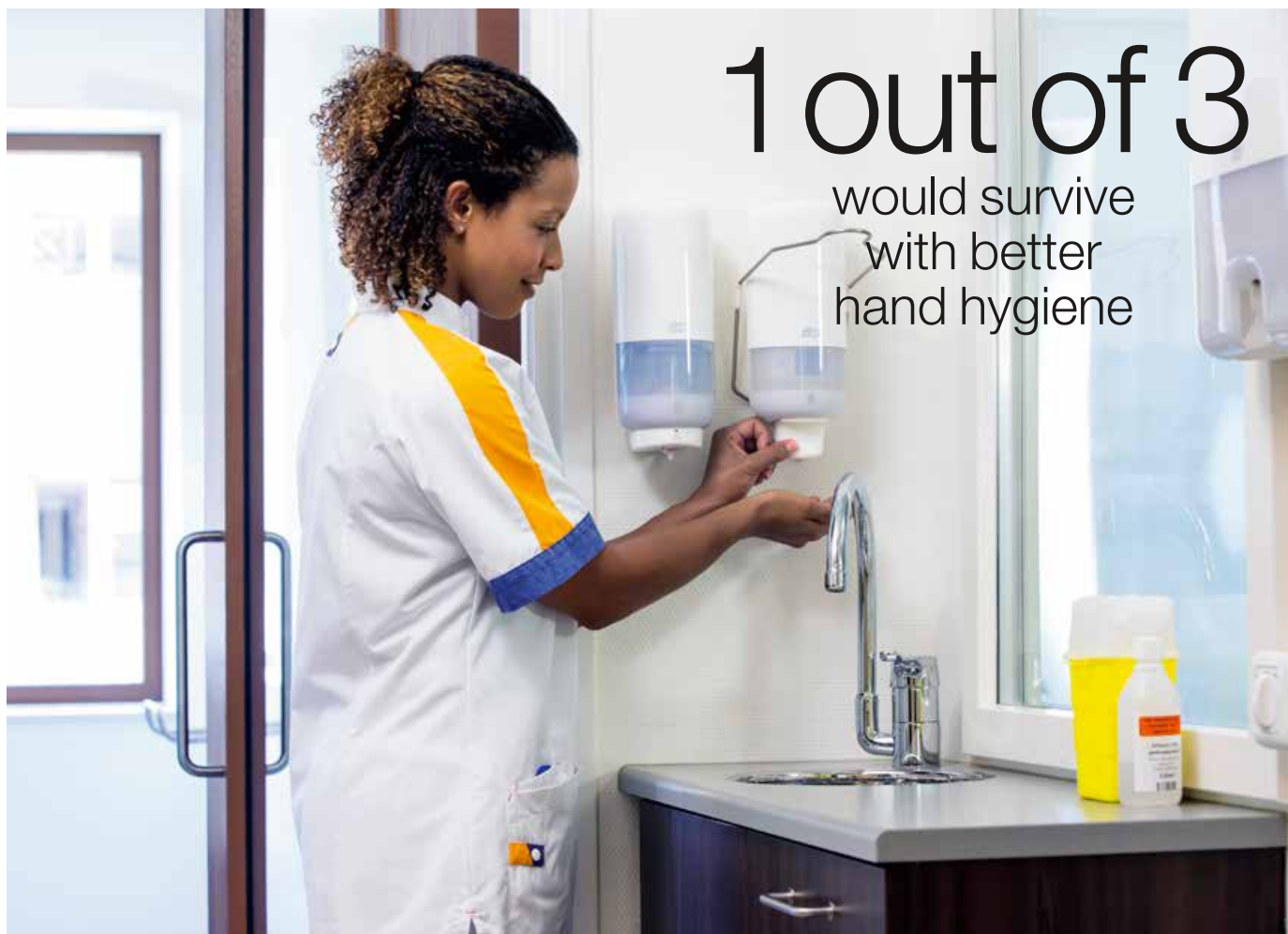
The sixth GFI Conference was held in Berlin over two days in April. Meetings focused on how life can become better and more dignified for people with incontinence. In total, about 350 participants from more than 30 countries took part.

Read more at gfforum.com.

"About 400 million people suffer from incontinence."

Adrian Wagg, professor in healthy aging, was one of the speakers at the Global Forum on Incontinence, where the main theme concerned living a dignified life with incontinence





Clean hands save lives

Every year, healthcare-associated infections affect millions of patients worldwide, many of whom die (about 140,000 in Europe and the US alone). Studies show that approximately a third of those who die from healthcare infections could survive through the use of something as basic as better hand hygiene.

SCA is taking part in the Private Organizations for Patient Safety (POPS), an initiative from the WHO, to save patient lives and protect employees in the healthcare sector. POPS comprises businesses that together provide information and create awareness about the correct routines for hand hygiene.

One of SCA's contributions in 2016 was a research-based recommendation about where hand hygiene products should be available in hospitals. The actual location of these products has proven to be important for their use and thereby how well hand hygiene routines are followed.

NEW CONTINENCE CARE GUIDELINE PUTS THE PATIENT AT THE CENTER

Hungary has introduced a national clinical guideline that recommends a patient-centered continence care strategy also for absorbent products. This will mean that not only treatments and medications are selected according to a consistent framework, but also medical devices will be selected based on each patient's individual needs. The guideline is entirely in line with SCA's approach to individual continence care.

"A ministry-level guideline is the strongest possible official recommendation for doctors, nurses, pharmacists and other decision makers. Given that SCA has a full range of quality products, it provides us with a great advantage when positioning our portfolio. Once implemented, it will lead to more dry days for more patients, at a lower total cost," says Dr. Gyula Markovics, SCA's Public Affairs Manager for Hungary, Slovenia and Croatia.

The new guideline is a result of a multi-stakeholder process, including patients, health care professionals, policy makers and payers.



The Code shows the way



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 2016 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.

SCA works intensively to increase awareness of ethical issues and its Code of Conduct in the organization. Sound business practices, good working conditions and respect for human rights are some of the company's focus areas. Training and supplier audits are tools to help the company achieve its targets.

Training in the Code

SCA's Code of Conduct is a tool for creating confidence and translating SCA's core values of respect, responsibility and excellence into action. All new employees are trained in the Code of Conduct as part of their induction program. Continuous follow up takes place to ensure that all employees have sound knowledge and awareness of the Code (refer to page 42). SCA has a system where employees can report breaches of the Code. In 2015, the system was supplemented with third-party hotlines for reporting in the UK and Mexico. During 2016, hotlines were

introduced in a number of countries in Latin America, the Nordic region and in Eastern Europe.

Choosing the right partners

The more SCA grows at global level, the more important it becomes for the Group to review its local suppliers and choose responsible business partners. The aim is to identify risks and develop the social and environmental performance of suppliers.

SCA's objective is to drive shared values and priorities throughout the supply chain in line with SCA's Global Supplier Standard.

Ethics – from compliance to leadership

During the year, we developed our position on ethics and integrity. We wanted to move beyond regulations and controls in order to also understand the sociological and psychological factors behind rule breaches. Or to put it simply; why good people sometimes exhibit inappropriate behavior.

A culture characterized by integrity begins with two key insights: that surroundings have a major impact on the actions of individuals and that it is necessary to understand and handle ethical gray areas. It requires in turn that ethics becomes an issue of leadership rather than a question of obeying rules. This approach is advocated by Guido Palazzo, professor in business ethics at the Lausanne School of Economics, and the person who helped SCA with a training initiative that began during the year.

The initiative was in two parts: a lecture on culture, peer pressure and other environmental factors, and a card game about ethical dilemmas. By playing the game, participants were asked to discuss difficult situations, such as relationships toward customers and



A game with ethical dilemmas helped participants discuss complex situations where there is not always a clear-cut right or wrong.

suppliers, conflicts of interest and issues concerning coworkers. By showing that there is rarely one correct answer, we wanted to strengthen the ability of participants to handle various situations. These discussions also helped the participants to feel more comfortable in sharing dilemmas they had faced themselves.

The training initiative began with the Executive Management Team and was then taken to SCA's management conference with 150 of the company's top managers. About 1,000 managers will have taken part in the project by the beginning of 2017. It will then be incorporated into SCA's ordinary leadership development activities.

Extensive antitrust program

Free and undistorted competition is a cornerstone in every society and a precondition for every sustainable business operation. SCA conducts extensive operations in a large number of countries with different cultures. SCA is therefore exposed to the risk of violating competition rules and is also subject to certain investigations (refer to page 43) by national competition authorities. Violating these rules is never acceptable and is in direct

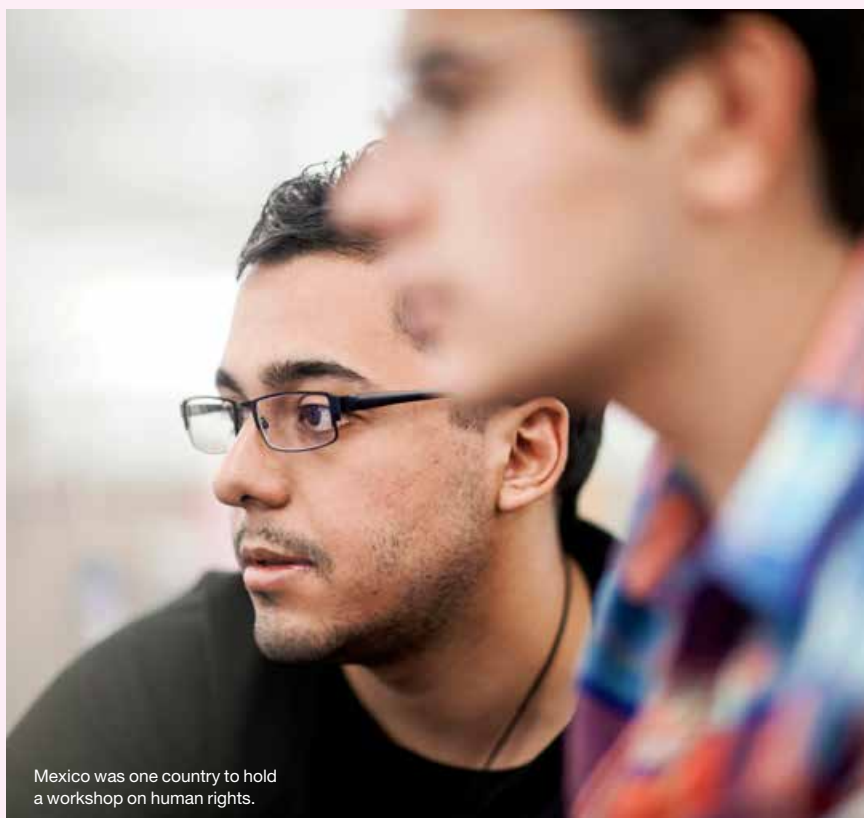
conflict with SCA's values. SCA takes a very serious view of this and has therefore created an extensive internal training program, which was strengthened in 2016. The program includes a risk analysis, various forms of training (e-learning, workshops), guidelines, an approval requirement for certain competitor contacts and recurring reminders.

Focus on human rights

Human rights was an important theme for the year. To ensure that human rights are respected in all aspects of SCA's business, we are constantly working to understand and manage the risks in the area.

During the year, we developed a model to help SCA's various units to map the risk of rights violations. SCA's business unit in Latin America was the first to use the model. This work began with a workshop for SCA management in Latin America. Participants received an introduction to the UN's Guiding Principles on Business and Human Rights and then drew up an overall risk map for the region. The second step included similar workshops and risk mapping for Mexico, Chile, Brazil and Central America. Action plans will also be drawn up to manage high-risk areas. The plans will be finalized in early 2017.

The mapping of Latin America is a continuation of the global review carried out in cooperation with BSR (Business for Social Responsibility) in 2014. We will evaluate the results in Latin America and decide on the continued roll-out.



Mexico was one country to hold a workshop on human rights.

Improving knowledge within SCA's purchasing organization

During the year, SCA defined new, ambitious targets for the Group's supplier base. SCA should promote sustainable and responsible business by choosing and rewarding partners that share our values. We want to ensure the safety and quality of our products and that they are manufactured and supplied with respect for people and nature.

- All SCA suppliers will be assessed on the basis of social and ethical risk.
- By 2020, all sourcing of SCA's raw materials, goods and services will derive from suppliers that comply with SCA's global supplier standard.

The earlier focus was on SCA's global, regional and other strategically important suppliers, which together accounted for about 70% of our purchasing costs. The risk analysis mainly looked at the country of purchase.

The new target means we will look at all purchases, even in other categories, such as local sourcing, services and logistics. The risk analysis has become stricter with regard to several risk parameters and has a stronger link to current sourcing work.

In real terms, this means that about 28,000 suppliers, compared with 600–700 suppliers previously, will be gradually included in SCA's risk analysis and supplier assessment.

The purchasing organization was offered training in the Code of Conduct in conjunction with SCA's new goals for its supply chain. During the year, we trained 16 of our 19 sourcing teams in the Americas, Europe and Asia. The purpose was to increase understanding among our purchasers about what sustainability means to SCA, what role the Code of Conduct plays for SCA's sourcing and how they should integrate the Code into their daily work. We also discussed SCA's new goals for its supplier base and how risks can be identified and managed.

Raised safety ambitions



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 2016 The accident frequency was 4.6 per million hours worked, a decrease of 31%. Compared with 2015, the decline was 27%.

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

The working environment and safety of its employees are of paramount importance to SCA and the company wants everyone to feel safe at work. This relates not only to the physical work environment, but also to promoting a culture in which safety always comes first.

Vision of zero workplace accidents

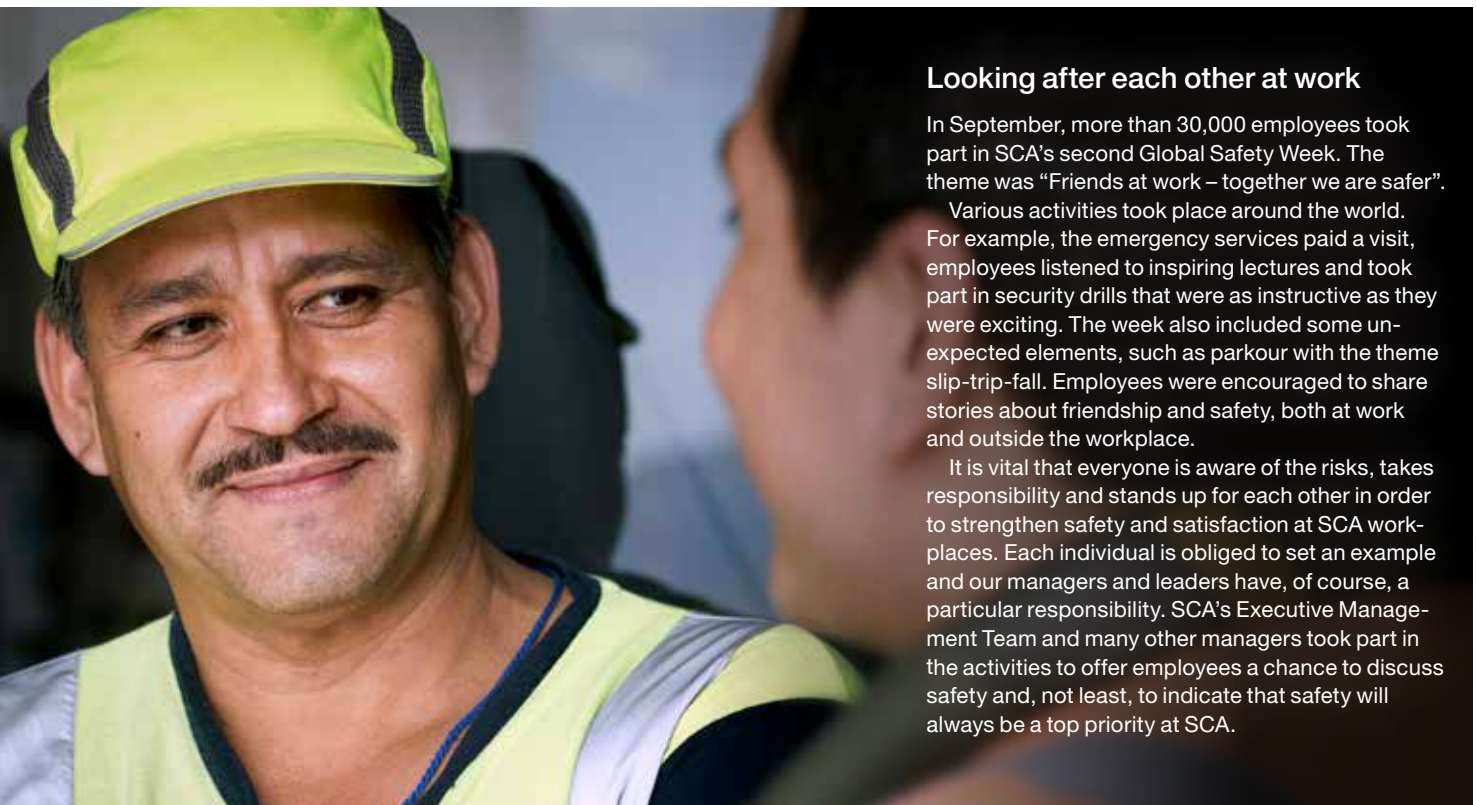
SCA has a vision of zero workplace accidents at all of its units. The target for 2014–2020 is that the accident frequency rate, meaning the number of accidents per million hours worked, will decrease by 50%.

Regrettably, one employee was fatally injured during the year in Mannheim, Germany. The fatal accident emphasizes how important it is that health and safety efforts must always be prioritized and developed.

Creating a safety culture

Policies, management systems, follow-up and control are examples of tools that facilitate initiatives for improving health and increasing safety. However, perhaps the most important step will be to create a culture that always places health and safety first. Our annual Global Safety Week is an example of an activity designed to promote such a culture.

SCA's control system also includes minimizing risk by providing training for managers, employees and partners. Each SCA plant has procedures in place to increase workplace safety. The international OHSAS standard also serves as a tool to help SCA promote a systematic approach and continuous improvement of the work environment.



Looking after each other at work

In September, more than 30,000 employees took part in SCA's second Global Safety Week. The theme was "Friends at work – together we are safer".

Various activities took place around the world. For example, the emergency services paid a visit, employees listened to inspiring lectures and took part in security drills that were as instructive as they were exciting. The week also included some unexpected elements, such as parkour with the theme slip-trip-fall. Employees were encouraged to share stories about friendship and safety, both at work and outside the workplace.

It is vital that everyone is aware of the risks, takes responsibility and stands up for each other in order to strengthen safety and satisfaction at SCA workplaces. Each individual is obliged to set an example and our managers and leaders have, of course, a particular responsibility. SCA's Executive Management Team and many other managers took part in the activities to offer employees a chance to discuss safety and, not least, to indicate that safety will always be a top priority at SCA.



Stronger safety culture with ZERO

ZERO is a program launched to develop a safety culture within SCA's forest products operations. Despite targeted initiatives and a systematic approach to health and safety, too many accidents are still taking place.

The situation must be reversed and ZERO will help us to achieve this. The first milestone is to halve the number of workplace accidents by 2018, compared with 2014. We must change our behavior if we are to reach the first milestone and subsequently reach our ultimate objective that no one should be injured at work. It means that each of us must put health and safety first and show this through our actions every day. Key success factors are commitment from management,

concrete and challenging targets, as well as sustained commitment from the employees.

Work on ZERO began with a situational assessment. Based on the analysis, we then drew up action plans to develop our safety culture and began activities. In addition, we developed a joint toolkit with important routines, our own policy for behavior-based safety and a leadership development program.

"We have now run the program for one year and can see a positive impact. Figures for this year show a reduction of 26% in the number of accidents resulting in absence and a 29% reduction in the accident frequency rate. There has been a strong commitment to reach our target, a safe and secure workplace," says Katarina Kolar, Program Manager for ZERO.

The Zero safety program was successfully launched and the accident frequency rate was reduced by a full 29%.



ACCIDENTS

50%

Our goal is to halve the accident frequency rate by 2020.

SCA's VISION

0

SCA has a zero-accident vision for its operations.

23 sites with zero workplace accidents in 2016

Finland: Nokia

Germany: Logistics Kiel, Witzenhausen

India: Ranjangaon

Netherlands: Suameer

Poland: Olawa

Russia: Sovetsk

Spain: Telde

Sweden: BioNorr Härmösand, Mölnlycke, Obbola Packaging

Taiwan: Kao Hsiung

UK: Chesterfield, Manchester, Oakenholt, Skelmersdale, Stoke, Welshpool

US: Bellemont, Bowling Green, Greenwich, Harrodsburg, South Glens Falls

Fatal accident at Mannheim

On July 24, a tragic fatal accident took place at SCA's tissue plant in Mannheim, Germany, when an employee was fatally injured during maintenance work at the plant's power facility. One other colleague was injured.

SCA carried out simulations of the accident, reviewed the processes involved and investigated the equipment to understand the causes of the accident and to take measures to ensure that similar accidents are not repeated. SCA is cooperating with relevant authorities.



SCA in society

SCA wants to help solve social challenges. These challenges are a source of innovation and change. In some cases, SCA can contribute to solutions as part of its business, while in others, SCA adopts a corporate citizen approach.

Over time, the social dimension has become an increasingly important part of companies' CSR strategies – and this has also been the case for SCA. The social needs of communities are growing, and many of these can only be solved through cooperation between companies and communities.

At the same time, these needs are a source of inspiration and development for companies' business models and product offerings. There are ample opportunities to create shared value between companies and the community, where business value for the company and social value for the community go hand in hand.

SCA prioritizes social initiatives with a clear link to the company's values, expertise, operations and geographic presence. Many initiatives are in hygiene and health, often related to women and children.

The projects vary over time and between regions. They range from hygiene programs to emergency relief or support for local projects and organizations. These projects strengthen SCA's position in the community and build loyalty and goodwill. They contribute to our reputation as an attractive employer, and make our employees proud to be working for SCA. In 2016, SCA invested SEK 32m in approximately 400 projects.



Living life to the fullest

Age should never be an obstacle when it comes to new experiences and living your life to the fullest. Partnering with the North American organization Wish of A Lifetime, SCA is committed to enriching the lives of seniors. 78-year-old Jenny Bond lives an active life, including whitewater rafting, paragliding skydiving and scuba diving. Yet, a memory that has stayed with her is meeting an elephant at the Munich Zoo in 1960 and ever since, she has wished to help care and feed an elephant. Thanks to SCA and Wish of A Lifetime, her wish came true when Jenny got to meet and care for Tupelo the elephant at the Houston Zoo in the US.

SCA and UNICEF support adolescent girls in Mexico

SCA initiated a collaboration with UNICEF in Mexico in conjunction with the UN's International Day of the Girl Child on October 11. The cooperation aims to disseminate information in order to tackle problems that often affect adolescent girls and to finance the UNICEF program for girls and boys in Mexico.

The cooperation concerns pressing problems. In Mexico, a country with 15.6 million adolescent girls, challenges include teenage pregnancies, violence and early school dropout. Mexico has most teenage pregnancies among OECD countries and many of these young mothers suffer from serious complications related to pregnancy and childbirth. Violence is also common among young people in Mexico: 36 of 1,000 young people aged 10–17 report being affected by some kind of violence or aggression (ENSANUT:2012).

SCA and UNICEF are targeting young girls and also their parents as teenage years are such an important period. The skills, abilities and resilience capacity acquired



SCA entered into a partnership with UNICEF in Mexico to support adolescents and to work for improved gender equality.

during this time are crucial for the potential of people in adult life. The #hablemos todo (let's talk about everything) campaign was run in social media during the autumn. SCA will also share key messages via Saba Teens packaging (SCA's feminine care brand in Mexico) and through the brand's other channels. The messages will focus on the importance of violence prevention, completing school and not becoming a parent at too young an age.

"SCA's motto 'Care of life' extends beyond our products. We promote hygiene and health, and want to increase our commitment to also influence equal opportunities and the well-being of women. Our reach will be greater together with UNICEF," says Atilano Sanchez, Vice President Sales & Marketing for SCA in Mexico and Central America.



Children cope better with tough medical treatment if their parents are nearby, and this is possible at the Bethesda Children's Hospital in Hungary.

Sick children need their parents

In Hungary, SCA has a strategic cooperation with the Bethesda Children's Hospital. One of the outcomes of the cooperation is the foundation of the Bethesda Family House, a dormitory for parents who want to stay with their children when in hospital.

Children can endure hard medical treatment and recover more quickly close to their parents. Family accommodation in hospitals is hardly available anywhere else in Hungary.

A Hungarian tax law allows people to donate 1% of their income tax to a dedicated CSR project. In its long-term cooperation with Bethesda, SCA has shared its

marketing expertise and communication channels to encourage individuals to donate their 1% to the Bethesda Foundation. In addition, SCA has cooperated with key customers to support this initiative and to help raise funds through joint campaigns. As a result, more than HUF 10m was collected and the number of people supporting the project with their income tax increased by 25%, which enabled the building of the Bethesda Family House. SCA also supports the hospital with hygiene products. By not just donating money but helping Bethesda raise money, we have created a sustainable process that will also work in the future without the support of SCA.

HELP FOR COMMUNITIES STRUCK BY NATURAL DISASTERS

In 2016, a series of devastating natural disasters affected many people across the world. SCA and its employees have tried to help and alleviate the effects.

An earthquake that struck central Italy in August killed about 300 people. SCA in Italy supported the affected locations in cooperation with the Italian Red Cross. Employees could donate money via their salary, which was matched by SCA. In October, yet another earthquake occurred. SCA delivered construction materials for 40–50 cabins from the Tunadal sawmill, intended to build temporary houses for those affected.

Similar initiatives were carried out in North America following flooding in Texas and Louisiana and wildfires in California.

Ecuador was hit by an earthquake measuring 7.8 Mw on the Richter scale in April. It was the worst natural disaster in the country for 67 years and it claimed about 700 lives and made 30,000 people homeless. Employees at SCA's joint venture Familia in Colombia gathered COP 8,355,000 for the Red Cross and donated hygiene products, food, medicines, water and clothes that were delivered to Ecuador. 22 Familia employees work in the area of which two had their homes destroyed and three had their houses damaged. Familia offered their employees psychological and financial support and assistance in the reconstruction of the houses.

Comprehensive climate work



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

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

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

OUTCOME 2016 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.

740
Gwh

SCA's production of
biofuels from its own
forests amount
740 GWh.



SCA is working in many ways to reduce its climate impact. We continuously work with energy efficiency and to reduce the climate impact of our products. We invest in the production of renewable energy, such as biofuels and wind power. Our forests also net absorb 4.1 million tons of CO₂.

Reductions in climate impact are mainly through larger investments in facilities or by continuously making our work slightly better and slightly more efficient, for example, through the ESAVE energy-saving program

(see page 49). We take our products' entire lifecycle into consideration to minimize their impact as much as possible.

Our forests absorbed 4.1 million tons of CO₂ in 2016, which is more than SCA's emissions from its entire production. Forests also play a key role in our efforts to increase the availability of renewable energy. Raw material and by-products are converted into biofuels, thereby becoming valuable energy. Our forest land is also an important foundation for our wind power projects.



Tork Smartone reduces paper consumption by up to 40%.

Minimized product impact

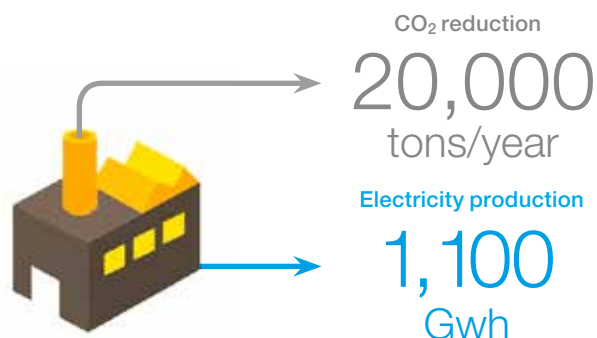
Reducing climate impact is not only about investing in new production technology. Equally important is a reduction in the product's impact and, through this, to contribute to the UN's Sustainable Development Goal 12 for sustainable consumption.

Since the beginning of the 1990s, SCA has worked with life cycle assessments, which involve a complete environmental analysis of a product's value chain, from raw material, production and transport to use and waste management. Our hygiene products have reduced their carbon footprint in recent years (see pages 14, 15 and 40) and SCA continues to work with resource-efficient products and new services for customers.

Designing products that cut consumption is an effective way to reduce the climate impact. The Tork XPressnap dispenser is designed so consumers can only take one napkin at a time and we guarantee a 25% reduction in napkin consumption. Tork SmartOne is another example that offers a reduction in tissue consumption by 40%. TENA Solutions is a service through which we can help nursing homes to optimize their incontinence care through an extensive analysis of operations. The result is improved well-being for care recipients, less waste and lower total cost.



SCA's upgrade of the biodigester in Mannheim will reduce carbon emissions and increase production efficiency.



Reduced emissions and costs through more efficient power production

SCA is upgrading the biomass boiler at its tissue plant in Mannheim, Germany. Biomass is a waste product from the production of tissue and the 1,100 GWh produced here makes Mannheim the Group's second largest power facility.

SCA is upgrading and replacing large parts of its biomass boiler in order to comply with the Industrial Emissions Directive, IED. The upgrade requires a EUR 10m investment and has several advantages. The boiler is expected to be 10% more efficient with new components and new technology. Carbon dioxide emissions are also expected to fall by about 20,000 tons at the same time as operating costs are reduced by EUR 4m per year. The biomass boiler upgrade is scheduled to be complete in late 2017.

Doubling of green electricity

The multi-million SEK investment in SCA's pulp mill in Östrand, Sweden, will make it the world's largest producer of bleached softwood sulfate pulp and will more than double its production capacity, from 430,000 to 900,000 tons. The SEK 7.8bn investment makes the expansion one of the largest ever industrial investments in Sweden.

Construction began immediately after approval of the investment in August 2015, and is scheduled to take three years to complete. The new wood house will be completed first and will begin operating during the second quarter of 2017.

The investment means SCA will supply products of world-class quality and environmental performance. We can also offer pulp bleached using the latest techniques (ECF and TCF) produced using raw materials from responsible forestry. In addition, the plant will be fitted with the latest technology to increase energy efficiency and minimize emissions to air and water.

Finally, Östrand will more than double its deliveries of green electricity and district heating to 1.2 TWh electricity per year, which is sufficient to provide electricity for 240,000 households.



SCA's pulp mill in Östrand will double its production capacity, from 430,000 to 900,000 tons and double its deliveries of green electricity and district heating to 1.2 TWh.



The expansion of the Östrand pulp mill is one of the largest ever industrial investments in Sweden.

Fuel from the forest

Black liquor, a by-product from pulp manufacturing, will be made into renewable gasoline and diesel when SCA's pilot plant in Obbola near Umeå begins operating early in 2017. SCA is the first company to use a technology that enables the production of biofuel from the lignin contained in black liquor.

Simply put, this means copying nature: "What took nature 100 million years to create, SCA can achieve directly using by-products from the forest industry," explains Anders Hultgren, Development Manager at SCA.

The manufacturing process is reminiscent of what happens at oil refineries. It is therefore possible to manufacture other petrochemical products, such as raw materials for the production of plastics and pharmaceuticals.

All of this offers access to a new market which is in principle insatiable – the world needs an enormous amount of energy. Customers of the future for SCA's new product could be oil companies, distributors or bus companies. One major advantage is that vehicles and filling stations and other infrastructure do not need to be rebuilt or replaced, which means substantial savings in time and money.

"Our new product also increases the value of the pulp mill, which can increase production as we get better at utilizing by-products. And in a wider perspective, this transfer from fossil to renewable means we are contributing to solving global warming," says Anders Hultgren.

The goal is large-scale fuel production, but before SCA can make a decision on a continuation, the pilot plant must be completed, begin operating and be evaluated. If everything runs smoothly, it may be interesting for other pulp plants, in Sweden and in the rest of the world.



Fill the tank with trees? Anders Hultgren illustrates the principles behind the production of biofuels from by-products in pulp manufacturing.



Scandinavia's largest wind power area inaugurated

The Björkhöjden and Ögonfågeln wind farms in northern Sweden were inaugurated on June 1. The wind farms comprise 123 wind turbines in total.

Together with the Stamåsen wind farm, Björkhöjden and Ögonfågeln form the largest wind power area in Scandinavia. The wind farms will generate the equivalent of 1% of Sweden's total energy consumption, or household electricity for 220,000* houses or 560,000* apartments.

The wind farms, which are located in the municipalities of Ragunda, Sollefteå and Strömsund, were inaugurated with the theme "Wind Farm for the People". Approximately 850 participants were served with food and coffee and offered guided tours, music and a performance by the vaudeville group Karneval.

The wind farms are operated by Statkraft SCA Vind, a joint venture where Statkraft owns 60% and SCA 40%. Statkraft is responsible for financing the wind farms and SCA for the land.

* Source Statkraft.se

Toward a circular society

One of our largest challenges in our work to contribute to a circular society is the responsible handling of production and post-consumer waste. SCA has adopted a new and ambitious target for production waste and has launched a service to recycle paper towels.

One challenge is that SCA's hygiene product portfolio primarily comprises disposable products. It is difficult to find business models that include the efficient collection of used products or a technology that separates the different materials used in the products in a way

that creates new, attractive, recycled materials. Material recycling of baby diapers and incontinence products, for example, is complicated by concerns about used products not being hygienic. This is an obstacle that must be overcome to ensure that SCA continues to be a relevant company in a sustainable and circular society and we are working intensively to find new solutions.



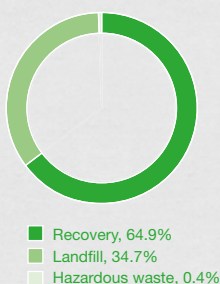
A new waste target

Production at our sites should not generate waste. Everything should be taken care of as part of an efficient ecocycle.

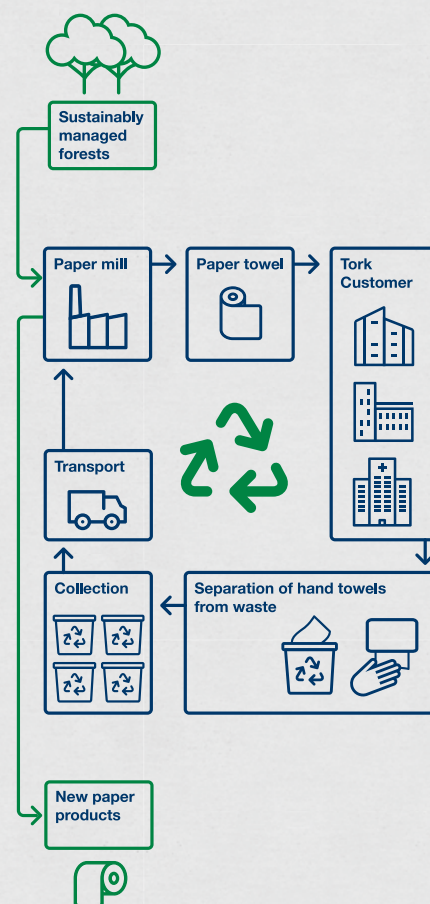
The new target states that materials and energy should be recovered from waste from all production units by 2030. In practice, this means we need to find new ways for an additional 600,000 tons of waste. Nothing should be sent to landfill after 2030.

19 units already report zero production waste. The new target will require a series of measures to find suitable ways to recover SCA's various types of waste. Waste management is relatively local – circumstances are different depending on the type of waste and infrastructure for waste management. The new solutions must also be adapted to local conditions.

Distribution of production waste 2016



19 sites with zero production waste in 2016: Ortmann, Austria; Stembert, Belgium; Drummondville, Canada; Le Theil, France; Kostheim, Neuss and Witzenhausen, Germany; Hoogezand and Suameer, Netherlands; Valls, Spain; Manchester, UK; Bollsta, Gällö, Lilla Edet, Mölnlycke, Rundvik and Tunadal, Sweden; Istanbul 1 and 2, Turkey



New life for paper towels

SCA and its tissue brand Tork have made it their responsibility to convert the environmental ambitions of customers into concrete measures and results. The latest contribution is a new and unique service for recycling paper towels from customers such as large offices, universities and airports. Until now, it has been difficult to recycle hand towels, mainly because of hygiene requirements and technical barriers.

The new service means that hand towels are collected from customers and sent to a local SCA mill to be transformed into new paper products. In 2016, two pilot projects were conducted in Germany and the Netherlands with highly favorable results. The service will be offered to more customers in 2017.

The recycling service is an important contribution to a more circular and sustainable society.

Safely sourced fiber



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 2016 In 2016, 6.5 million tons of fresh fiber was delivered to SCA as wood, pulp, packaging, mother reels and third-party supplied articles. 57% of the fiber was FSC/PEFC certified, 42% fulfilled the standard for controlled wood, and 1% originated 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.



Consumers must feel confident that all components of an SCA product and all fiber are derived through responsible forest management. This is the basis of SCA's target for fiber. SCA's own forests are cultivated with a focus on biodiversity, and they contribute a valuable, renewable raw material.

Responsible fiber sourcing

Illegal felling is an industry that generates billions. Illegal felling can refer to felling forests without the knowledge or permission of the landowner, felling in areas with high conservation value or felling that breaches the law of the country in question. Irresponsible companies that trade in illegal timber can dump prices since they avoid paying taxes, fees and many other costs.

For SCA, it is therefore of the utmost importance to ensure that the wood raw material used in the company's operations is not sourced from controversial sources.

Sustainable silviculture

Forests contribute significant value for many stakeholders. They provide habitats for countless species of animals and plants. They serve as a renewable raw material for the forest industry, which creates thousands of jobs. Forests bind CO₂ and are one of the most important tools in the world when it comes to eliminating the climate threat. Forests give us the opportunity to enjoy recreational activities, to hunt and fish.

Preserving the biodiversity of our forests is the most important environmental target for the management of our forests, which cover an area nearly the size of Belgium.



The Alsatian Askas sniffs a tree to investigate whether it has bark beetles.

WITH A NOSE FOR BARK BEETLES

Dogs and their keen sense of smell can be very useful in the fight against spruce bark beetle and save substantial wood value. SCA employed four-legged partners to help forest owners in Medelpad in Sweden to handle the problem of harmful insects. The beetles live on spruce and often inhabit residual wood but can also affect live spruce trees.

The dogs are from SnifferDogs Sweden. They have been training to recognize the scent of spruce bark beetles and track down affected spruce trees. This means the forest owner can fell the spruce when it is still healthy and be fully paid for it. It also reduces the risk of additional infestations as the beetles are transported in the tree out of the forest and cannot reproduce.

It takes the sniffing dogs about one hour to search through a ten-hectare area, which is far faster than a person can check. The dogs can also find infested areas that are difficult to locate using standard search methods.

VIA highlights valuable forest certification

Facts about the FSC

The FSC's vision is forest management that meets the social, ecological and economic rights and needs of present and future generations.

- More than 190 million hectares of forestland is FSC certified worldwide, distributed across 82 countries.
- In September 2016, a total of 31,000 corporations (in 120 countries) were FSC Chain of Custody certified.
- More than 12 million hectares of forestland in Sweden is FSC certified – about half the productive forest area (September 2016).

SCA's links to the Forest Stewardship Council (FSC®) are strong and we prioritize FSC certification. We play an active role in developing the FSC and finance and participate in the Value and Impact Analysis (VIA), a special evaluation of the FSC. Work began in earnest in 2016.

The aim of VIA is to identify how the FSC's influence on forestry and people can be measured and how the value of the certifica-

tion can be communicated in the best way. A number of stakeholders are taking part, including the forest industry, non-profit organizations and researchers.

"It is time for our industry to shift focus from compliance and instead highlight the real advantages with the FSC and responsible forest management," says Hans Djurberg, Sustainability Director at SCA and a member of the FSC international board. The use of certified fiber has a positive impact on the

environment and on people who are dependent on forests. We have a responsibility to communicate this and help consumers make better and more sustainable choices.

SCA hopes that the VIA and the ongoing comprehensive investigation will help us to convey our positive impact on forestry and people through the FSC. It is also satisfying to develop a method that will be used to evaluate other certification systems from a sustainability perspective.

Innovative student accommodation on water

The design company "Imorgon Innovation" and SCA have created a new type of student accommodation that is located on a floating landing stage in the Port of Sundsvall in Sweden.

A demonstration house was completed in autumn 2016 and the first tenants have moved in. Three students will live in the floating house for one year. They will evaluate the design, functionality and other quality aspects and also share their views on a new way of communal living.

"It feels exciting and luxurious to live like this. You can't find a better sea view," says Tove Gulliksson, who was first to move in.

The project is testing new innovative materials. The floating houses are built from wood that has been impregnated with Royal, i.e. treated with linseed oil. This treatment is less of a burden on the environment compared with conventional alternatives. The wood also retains its shape better and splits less, which makes it more durable.

So far, the response has been positive and the plan is to build up to 25 houses in Sundsvall. When finished, the ambition is to spread this way of living to other towns.



In autumn 2016, the first students moved into the floating houses made with wood from SCA.

Vital 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 2016 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%.

SCA has met its previous water targets and has therefore introduced new targets that are adapted to local conditions, as water is a local issue. The new targets apply to all mills and focus on treating water as effectively as possible, as well as reducing water usage.

Water is a critical resource and, along with climate change, is one of the most critical sustainability issues facing the world today. We have every reason to treat, reduce and rationalize water usage at every SCA plant.

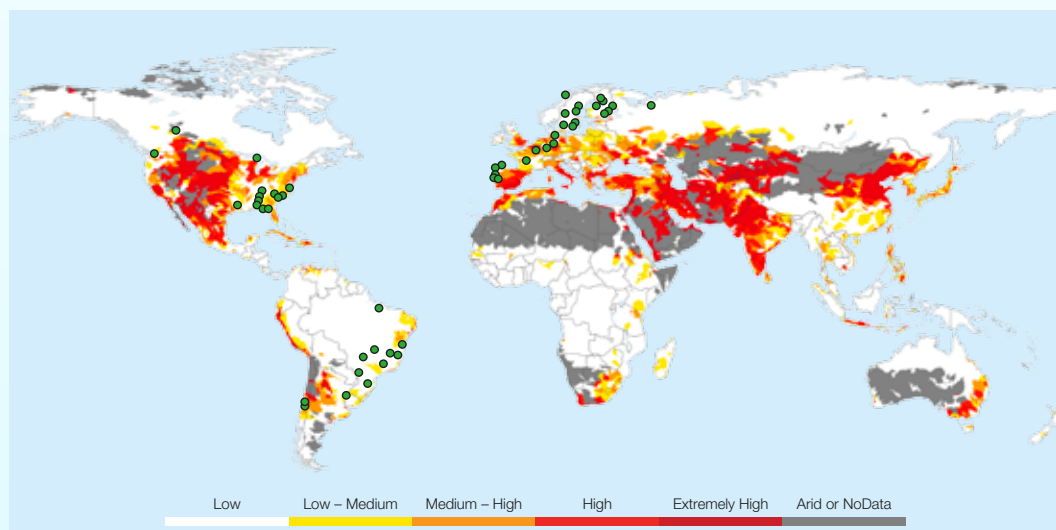
SCA mainly uses water to transport fibers, and for cooling in the production process. Most of our plants, which account for 97% of our water usage, are located in areas with a plentiful supply of water.

This is the first year we are reporting in accordance with our new water targets. The targets have been established based on what is most relevant. Water usage is not as big an issue in Sweden as it is in water-stressed regions, such as Colombia or Spain. However, it is important in Sweden to reduce phosphorous emissions as they can have a negative impact on the Baltic Sea.



The increase in phosphorous emissions during the year resulted from disruptions and problems with measurement equipment at the Obbola facility in Sweden.





Red color indicates a high water stress, white a low. SCA's plants are generally located in areas with favorable access to water.

● SCA pulp suppliers
Source: WRI, GADM

Water risk assessment

For the first time, SCA has conducted a water risk assessment at all of its pulp suppliers. In total, 54 suppliers were evaluated, and most are located in low-risk areas or regions.

Pulp production requires large volumes of water and we therefore need to ensure that our suppliers' production is not associated with high water risks. We used the external tool WRI Aqueduct that considers multiple risk factors but mainly risks related to water quantity, water quality and regulatory risks. Only a few suppliers are located in areas with medium to high risk.

"We have no high-risk pulp suppliers with regards to water," says Armin Benner, environmental specialist at SCA. "Now we will evaluate the results and based on this thorough analysis, we will decide if it is necessary to replace or reduce volumes from any supplier."

The water risk assessment will be updated on a regular basis and we will also look into other key supply streams. SCA has evaluated water risks at its own production sites since 2011.

ÖSTRAND DOUBLES EFFLUENT TREATMENT

SCA is expanding effluent treatment at its Östrand pulp mill in Sweden, as part of a major investment at the facility. The investment will double production capacity and this will also require a higher water flow. Östrand's hydraulic capacity will increase from 2,000 to 4,000 cubic meters of water per hour. This increase will primarily be through an expansion of existing technology, as this has been functioning effectively.

