

# SCA Sustainability



# SCA Group

Leading global hygiene and forest products company



- Net sales of Euro 10bn
- 44,000 employees
- Sales in about 100 countries
- #1 or #2 positions in close to 80 countries
- Strong brands;
  - TENA and Tork are leading global billion-euro brands
  - Vinda is famous in China
- Europe's largest private forest owner
- Europe's second-largest sawmill company
- Several of the world's most prestigious sustainability awards



# Long Term Effort



## **Recognition**

- SCA was named one of the World's Most Ethical companies by the Ethisphere Institute, USA
- SCA is included in the Dow Jones Sustainability Index
- In WWF's Environmental Paper Evaluation, SCA scored highest both in the tissue and containerboard categories
- SCA has been listed on the FTSE4Good global sustainability index since 2001
- SCA is included in the Carbon Disclosure Leadership Index
- SCA is a signatory of the UN Global Compact
- SCA is a member of World Business Council for Sustainable Development

## **Reporting recognition**

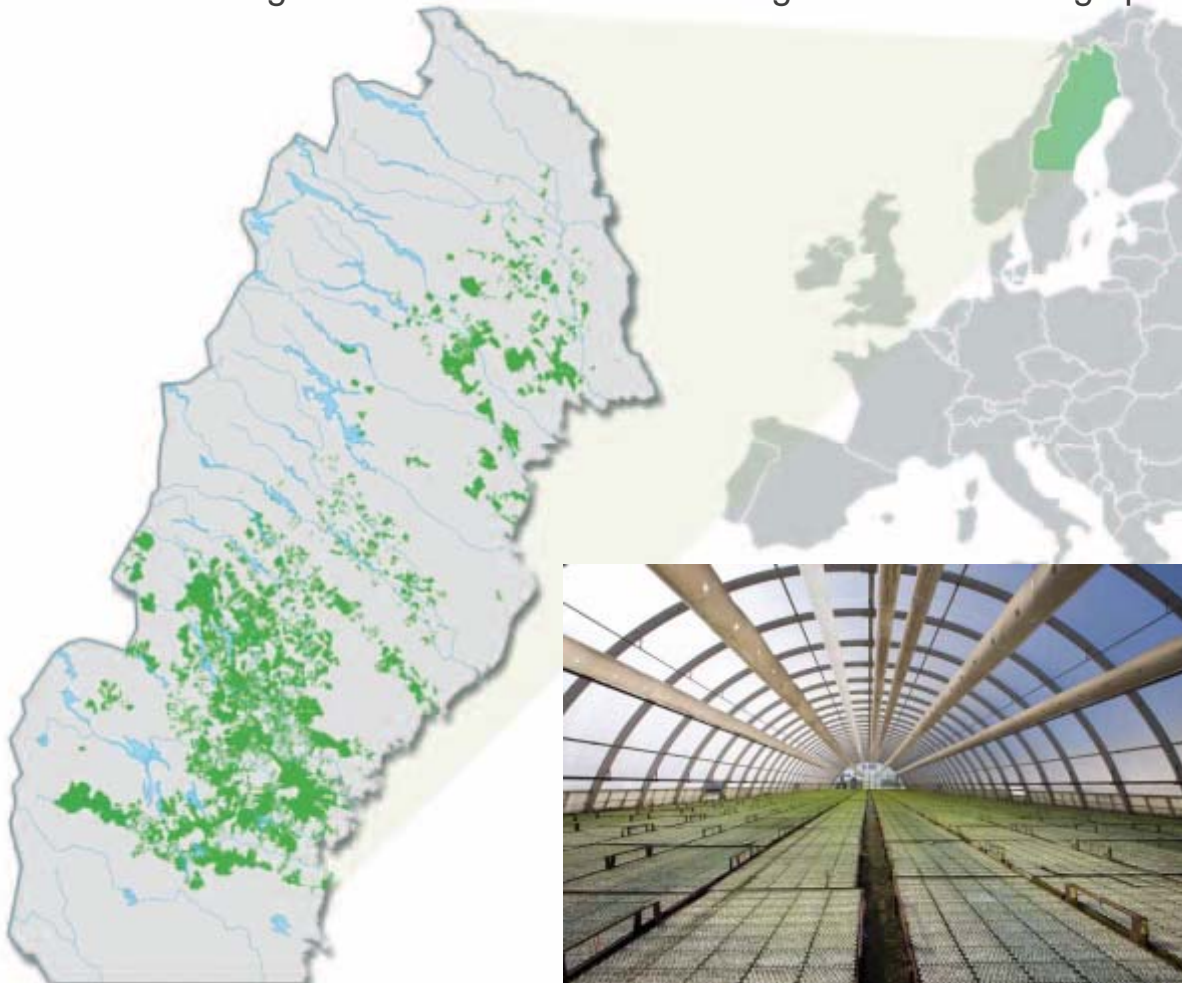
- FAR's (Swedish Accountant organisation) prize for best 2009 Sustainability report
- Selected as Best Practice report by Global Compact 2008 and 2009



# Our Forest – Our Culture



- SCA is Europe's largest private forest owner – FSC and PEFC certified
- Our forests have a net growth of about 1% annually
- Our forests absorb more carbon dioxide than is emitted from our entire production – 2.6 Mtons
- Well-managed forests contribute to solving the climate change problem



# Sustainable fibre sourcing



SCA **Wood Sourcing Policy** prohibits controversial sources such as:

- Illegally harvested timber
- Timber from high-conservation value forests
- Timber harvested in violation of human rights



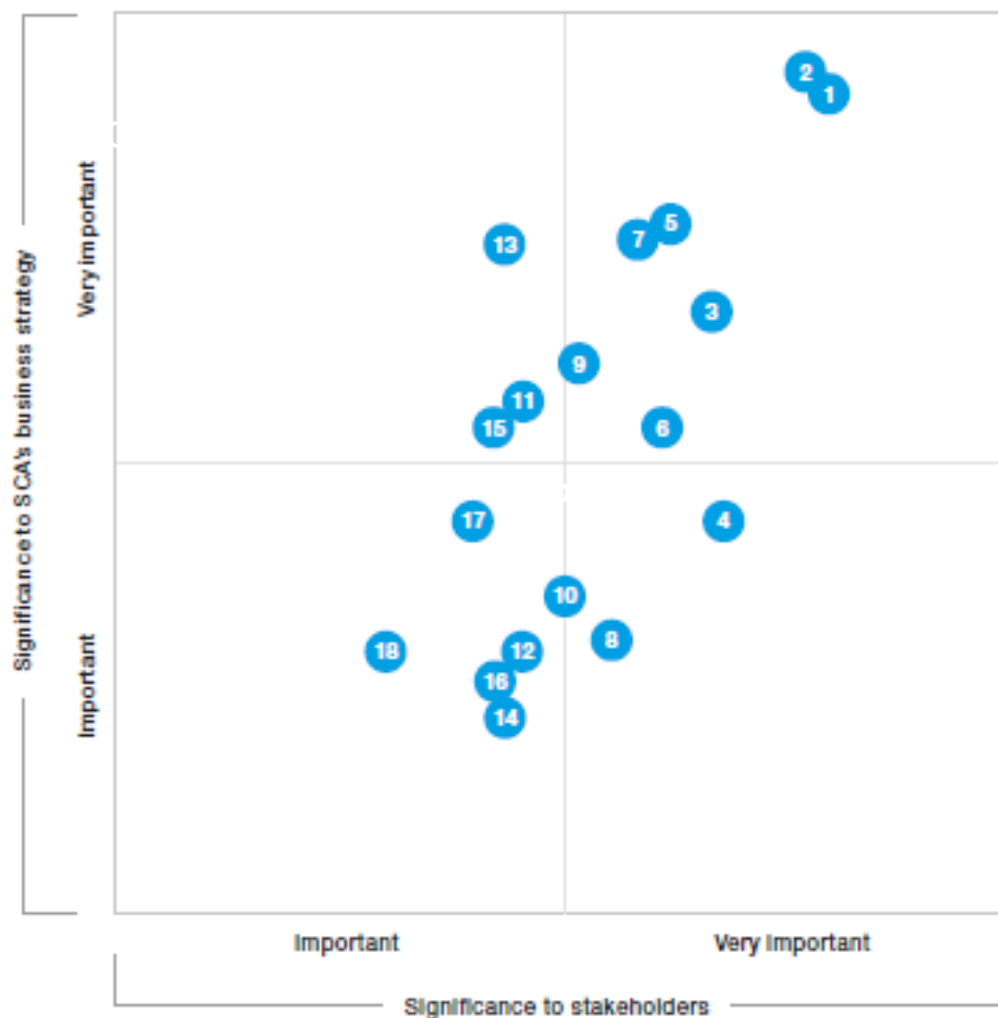
# SCA fibre sourcing database

	<70% PEFC	70% PEFC	100% PEFC	FSC C/W	FSC Mix	FSC Recycled	FSC Pure	
Sum of Qty Delivered								
Row Labels								
Celtejo - Empresa Celulose do Tejo								
CELULOSE BEIRA INDUSTRIAL SA								
CONRAD JACOBSON ZELLSTOFF GmbH								
CONTINENTAL CELLULOSE SA								
EMPRESA DE CELULOSE DE TO TEJO SA								
ENCE-EMPRESA NACIONAL DE CELULOSAS								
FIBREK								
FIBRIA TRADING INTERNATIONAL KFT								
Fibria Trading International Kft.								
International Paper Int.Pulp Sales								
IP CELIMO								
ITALPAPER SPA								
Jari Pulp LLC								
METSA BOARD OYJ								
PAGNARD & BONNET SA								
PORTUCEL-EMPRESA PROD. PASTA Y PAPE								
Resolute Forest Products								
SAPPI EHINGEN GMBH								
SCA Graphic Sundsvall AB								
SODRA CELL (UK) LTD								
SODRA CELL AB								
Södra Cell AB								
SOEDRA AG								
STORA ENSO OYJ								
Stora enso pulp ab								
SUZANO PULP AND PAPAER EUROPE SA								
SUZANO PULP AND PAPER EUROPE SA								
WEST FRASER MILLS Ltd.								
ZELLSTOFF POELS AG								
Zellstoff Stendal GmbH								
ZELLSTOFF- U. PAPIERFABRIK								
ZELLSTOFF UND PAPIERFABRIK ROSENTHA								
ENCE Energia y Celulosa, S.A.								
PULPNET S.R.L.								
ITOCHU Europe PLC								
Cellulose Eldorado Austria GmbH.								
Ence Energía y Celulosa, S.A.								
Biocel Paskov A.S								
Grand Total								

# How to Select the relevant Issues



Topic
1 Innovation
2 Customer and consumer satisfaction
3 Business ethics
4 Product safety
5 Brands
6 Resource efficiency
7 Health and safety
8 Forest assets
9 Market positions
10 Human rights
11 Corporate governance
12 CO <sub>2</sub> emissions
13 Human capital
14 Consumer waste
15 Efficiency in the supply chain
16 Water use and water purification
17 Distribution
18 Financial risks



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 subject matters, while the vertical axis represents SCA's assessment of how important the areas are to its business strategy and operations. In most cases, the assessments of stakeholders and SCA coincide.

# Set Sustainability **Strategy**

Shared value for business, people and nature



Sustainability is an integral part of business operations



# Set Sustainability Targets

care and respect people and nature



## Status:

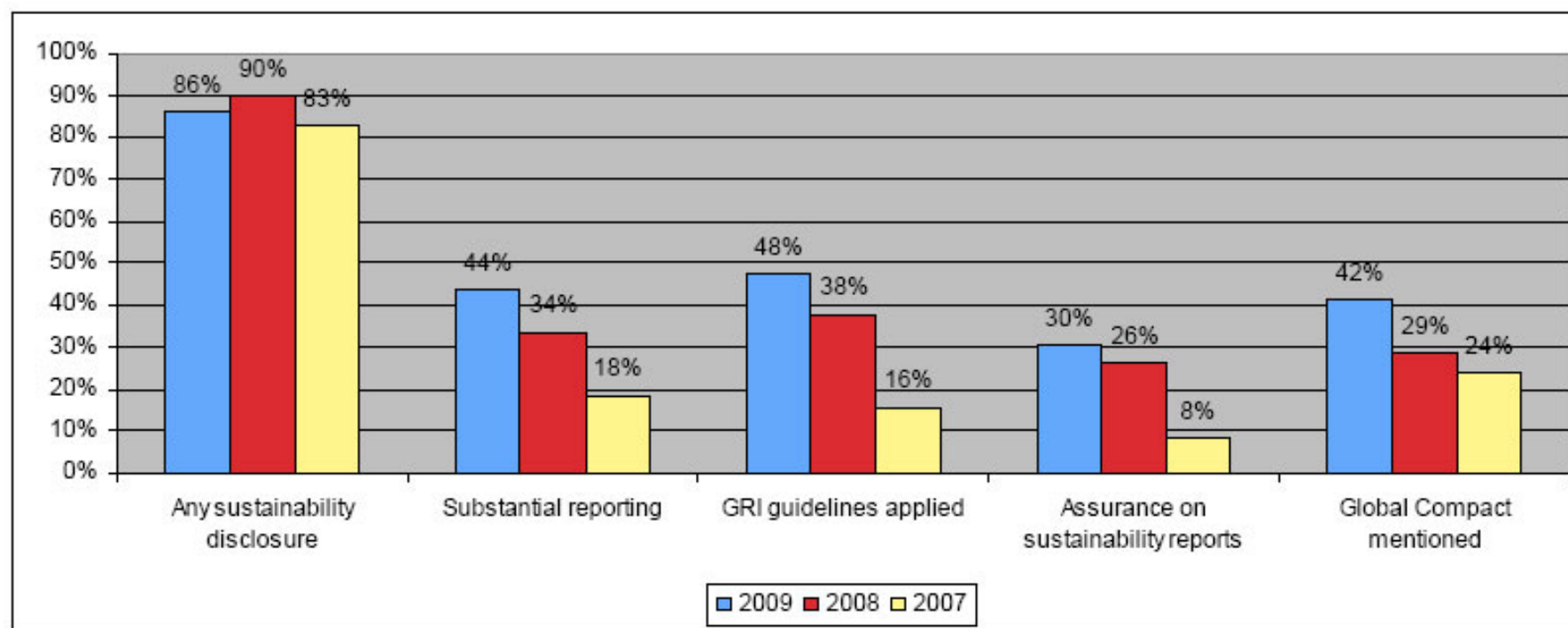
- Not according to schedule
- Not according to schedule, actions identified
- According to schedule

Sustainable innovations	Hygiene solutions	Code of Conduct	Employee Health & Safety	Climate & energy	Fiber sourcing & biodiversity	Water	Financial targets
<p><b>TARGET</b></p> <p>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.</p> <p><b>OUTCOME 2013</b></p> <p>Several sustainable innovations were launched, such as TUNA Identix, TUNA U-test, Tork Infection Sensor and a portable Tork dispenser.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• Provide information on hygiene matters around our products and services.</li> <li>• Strive to implement education programs for girls, women and caregivers.</li> <li>• Strive to offer the best value for consumers making hygiene solutions affordable to everyone.</li> </ul> <p><b>OUTCOME 2013</b></p> <p>SCA holds the number one or two position in at least one hygiene product segment in about 90 countries.</p> <p>Hygiene training programs were conducted in all product segments on all continents.</p> <p>We offer a broad portfolio of products ranging from the premium segment to the economy segment.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>Our SCA supplier standard will be used to drive shared values and priorities through our supply chain. We will use it in all our supply chain contracts by 2015.</p> <p>We will maintain compliance with our SCA Code of Conduct. All employees will receive regular training in the Code.</p> <p><b>OUTCOME 2013</b></p> <p>A total of 75% (73) of SCA's global hygiene supplier base and 60% (43) of our forest product's supplier base had undertaken to adhere to the SCA Global Supplier Standard.</p> <p>Status: ●</p> <p>91% (87) of employees have received Code of Conduct training.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>Our aim is zero workplace accidents, and we will decrease our accident frequency rate by 25% between 2011-2016. OHSAS 18001 will be implemented at all main sites by 2016.</p> <p><b>OUTCOME 2013</b></p> <p>The accident frequency rate was 5.4 (4.7) per 1,000,000 working hours, representing a 9% decline compared with the reference year of 2011.</p> <p>Status: ●</p> <p>By the end of 2013, 45% (30) of SCA's 67 main sites were certified according to OHSAS 18001.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>We will reduce CO<sub>2</sub> emissions from fossil fuels and from purchased electricity and heating by 20% by 2020, with 2005 as reference year.</p> <p>We will triple our production of bio-fuels from our forests by 2020, with 2010 as reference year.</p> <p>The production of wind power on SCA forest land will increase to 5 TWh by 2020.</p> <p><b>OUTCOME 2013</b></p> <p>At year-end 2013, CO<sub>2</sub> emissions in relation to the production level had declined by 11.8%, compared with the reference year of 2005.</p> <p>Status: ●</p> <p>In 2013, energy production from SCA's forest-based biofuels was 909 GWh (670 GWh in 2012).</p> <p>Status: ●</p> <p>Wind energy from SCA forest land totaled 0.75 TWh (0.4).</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>We will reduce and maintain our target of zero fresh fiber-based material from controversial sources*, including pulp.</p> <p>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.</p> <p><b>OUTCOME 2013</b></p> <p>All deliveries of pulp to SCA's facilities met the Group target. All of SCA's wood-consuming units are reviewed by independent auditors and meet the requirements of the Group target.</p> <p>Status: ●</p> <p>7% of SCA's productive forest land has been set aside in the long term from forestry in ecological landscape plans. In 2013, 15% of the area in planned harvesting sites was set aside for preservation.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>We aim to achieve water sustainability and we will reduce our water usage in water stressed regions by 10% by 2015, with 2010 as reference year.</p> <p>All SCA pulp and paper mills will employ mechanical and biological water treatment plants by 2015.</p> <p><b>OUTCOME 2013</b></p> <p>By year-end 2013, water usage in water stressed regions in relation to the production level had declined by 10.4%, compared with the reference year of 2010.</p> <p>Status: ●</p> <p>Of the Group's 44 pulp and paper mills, mechanical and biological effluent treatment systems have been installed at 42 plants.</p> <p>Status: ●</p>	<p><b>TARGET</b></p> <p>The target for return on capital employed is 13% over a business cycle.</p> <p>The target for the debt/equity ratio is 0.70 and the debt payment capacity is to exceed 35% over a business cycle.</p> <p><b>OUTCOME 2013</b></p> <p>The overall return on capital employed was 11%.</p> <p>At year-end, the debt/equity ratio amounted to 0.51 and the debt payment capacity to 37%.</p>

# Force yourself to do it - Reporting

GRI reporting (A+, third-party certified)

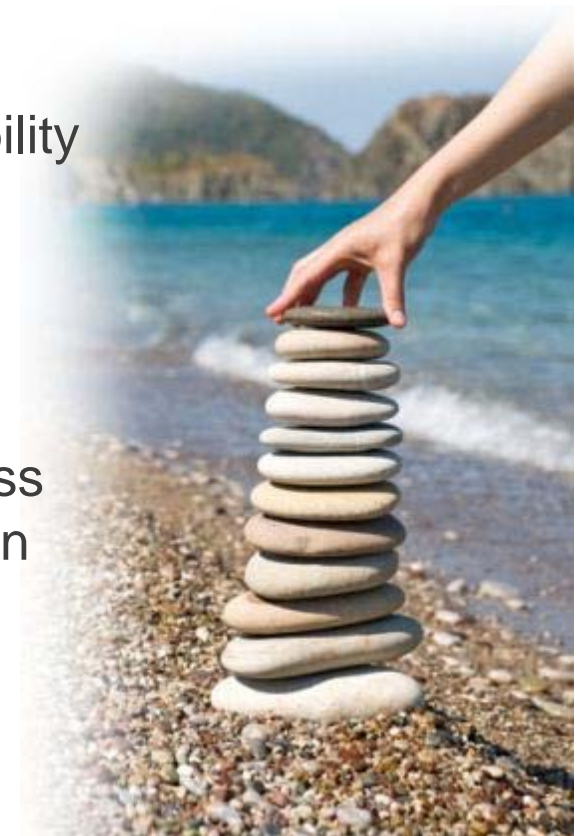
## How Swedish companies report



PwC survey of 173 listed and state companies' annual and sustainability reports.

## How to incentify business to report? **Stick**

- SCA's corporate senior management team (CSMT) has the overall responsibility
- The Senior Vice President Sustainability is part of the CSMT
- An Environmental Committee and Social Responsibility Committee (representatives from Asia)
- Cross-group networks
- Implementation in business units
- The sustainability targets are included in the business units' strategies and business plans and integrated in daily operations



## How to incentify Asia business to report? Carrot

- Improved competitive edge
- Reduced cost
- Reduced risk level
- Attract investors
- Employer branding
- Strengthen the brand





# Cost and CO Too saving

Product	Carbon footprint reduction 2008–2013, %
TENA Flex	7
TENA Lady	10
TENA Men	12
TENA Pants	18
TENA Slip	14
TENA Comfort	14
TENA Bed	15
Libero open diaper*	24
Libero pants	12

\* Including launches in Q1 2014.

*Life Cycle Assessments are calculated biannually.*

# Cost and CO Too saving



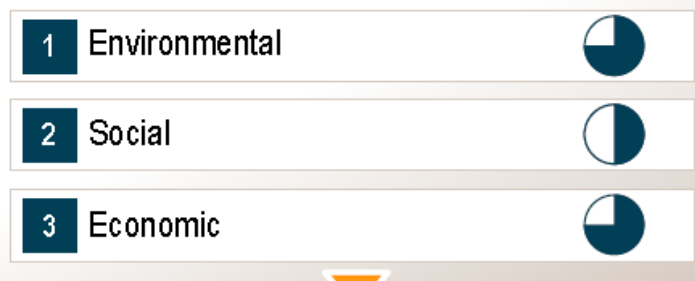
## Some European carbon reduction achievements:

- **Libero** open diapers: carbon footprint reduced by **45%** during 1987- June 2009
- **Feminine** thin towels: carbon footprint reduced by **29%** during 1997- June 2009
- **TENA** Flex: carbon footprint reduced by **17%** during 2008-June 2009
- **TENA** Pants: carbon footprint reduced by **13%** during 2008- June 2009

## Walmart employs a quantitative evaluation scheme for supplier evaluation – Only selective verification of supplier data

### Measuring and evaluating sustainability – Walmart

#### Coverage of the sustainability dimension



#### Evaluation



#### Evaluation approach

- > **Objectives:**  
To evaluate suppliers in all three dimension of sustainability
- > **Evaluation criteria:**
  - 15 criteria from the four areas
    - Energy & climate
    - Material efficiency
    - Nature & resources
    - People & society
- > **Evaluation logic:**
  - Each criterion evaluated in % [0-100]
  - Weighted evaluation of target achievement on each criterion gives the total score for the supplier

Question #	Yes Answer=
11	40%
12	10%
13	25%
14	10%
15	5%

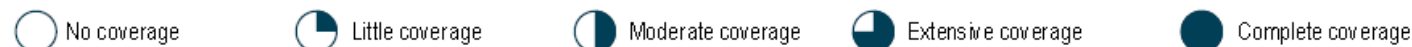
Below Target (0% - 40%)
Limited transparency into production practices and not addressing social impacts

On Target (40% - 80%)
Supplies chain transparency with full visibility to all first tier factories and subcontractors, addressing social impacts

Above Target (80% - 100%)
Full transparency to entire supply chain, actively addressing social impacts, and investing in community development

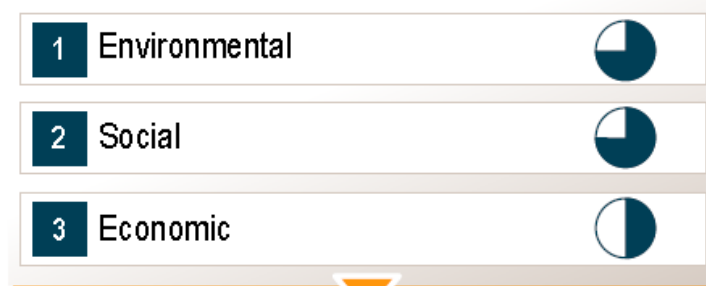


## IKEA's evaluation approach encompasses 14 criteria – Standards are independently reviewed by external auditors

Measuring and evaluating sustainability –



### Coverage of the sustainability dimension



### Evaluation



### Evaluation approach

- > **Objectives:**  
To evaluate the suppliers in all three dimensions of sustainability
- > **Evaluation criteria:**
  - **Start-up requirements** (6 criteria, as a necessary condition for qualifying as an IKEA supplier)
  - **13 evaluation criteria** for sustainability defined
- > **Evaluation logic:**
  - Each criterion evaluated in % [0-100]
  - Weighted evaluation of target achievement on each criterion gives the total score for the supplier
  - All suppliers are assessed in 3-year cycles

No coverage

Little coverage

Moderate coverage

Extensive coverage

Complete coverage

Source: IKEA, Roland Berger

RB\_Study\_Sustainable\_Sourcing\_and\_SCM\_2010.pptx | 57



# New Products



## TENA Identifi



# New Products



## TENA Belt



This unique concept utilizes less material and resources, meaning the carbon footprint is 25% lower vs. other traditional TENA products



# TENA Belt – from insight to launch in seven months

TENA Belt is based on Chinese consumer insights, developed and manufactured in China for domestic sales and for the rest of the world – and is an example of 'reversed innovation'.



# Other Sustainable innovations



- Launch of slimmer Maxi feminine care towel
- Carbon footprint reduction of feminine care towels 31%



- The Tork Xpressnap napkin dispensing system guarantees customers a 25% reduction in usage compared with traditional dispensers



- TENA Belt encompasses pads and a reusable belt.
- Better ergonomics for the caregiver, less consumption and carbon footprint reduction of up to 25%

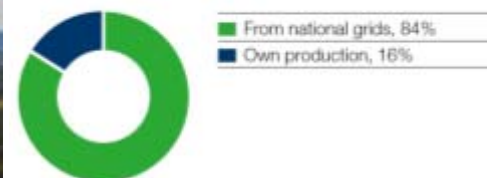


# New Business Opportunities

- Wind power - 26 (350 GWh) of 350 (3 TWh) wind turbines built in our forest
- Forest based biofuels (felling residue, branches, crowns, stumps, sawdust for pellet) amounted to 909 GWh
- SCA's paper mill in Ortviken and the pulp mill in Ostrand sell waste heat and burning pellets to Sundsvall city and saves oil consumption by 25000 cubic meters per year.
- Ortmann invested EUR 9.9M to produce 100 cubic meters of biogas per hour from wastewater

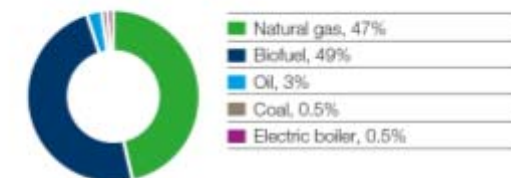


## Electricity consumption 2013



**Electricity consumption 2013: 8,280 GWh**  
The majority of SCA's electricity, 84%, comes from national grids, while 16% derives from electricity produced in the Group's co-generation plants.

## Fuel consumption 2013

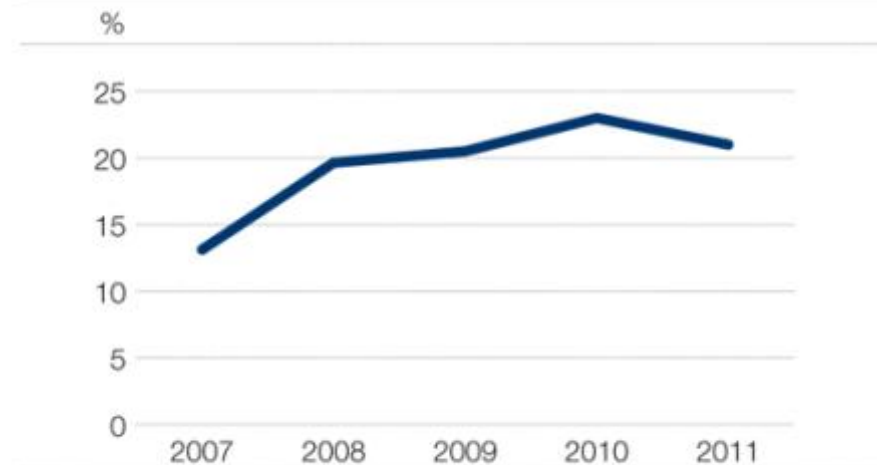


**Fuel consumption 2013: 61,247 TJ fuel**  
A total of 47% of SCA's fuel consumption comes from natural gas and 49% from biofuel. Oil and coal account for a mere 3% and 0.5%, respectively.

# Attract investors

- Increased interest from SRI analysts and increased number of sustainability surveys
- About 21% of SCA's shares are owned by investors with sustainability criteria
- SCA is included in 83 European sustainability funds
- SCA is included in a number of ESG indexes such as Dow Jones Sustainability Index and FTSE4Good
- More stable investors - lower financing cost

**Percentage of SCA shares owned by investors with sustainability screening**



Source: European Business School

# A Holistic Approach

## Life Cycle Assessment – LCA

Improving our **environmental** performance



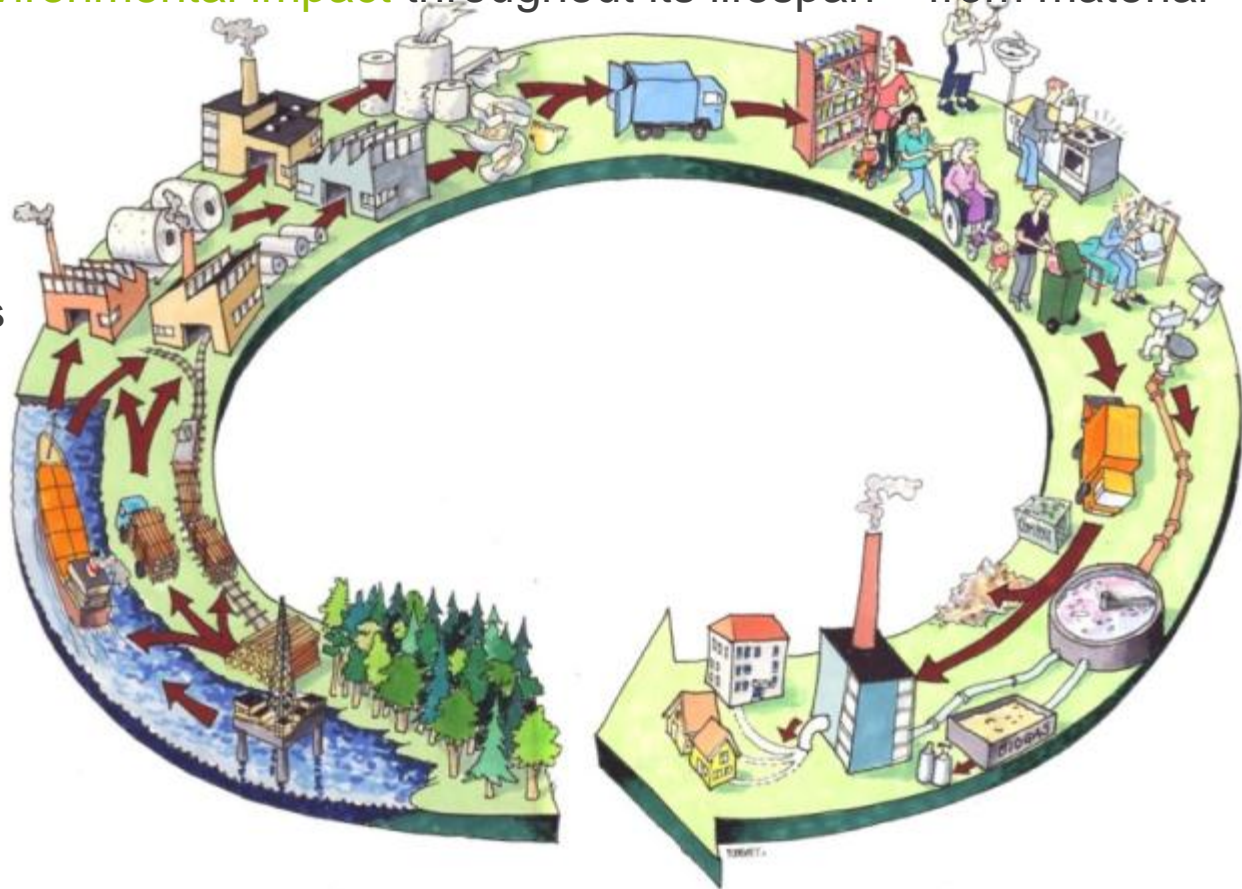
SCA has over 20 years of expertise in LCA – the only tool to provide a complete picture of a product's **environmental impact** throughout its lifespan – from material creation to disposal.

Helps us to

- **find improvement areas**
- **compare alternatives**
- **optimise parts of the lifecycle**

and to create

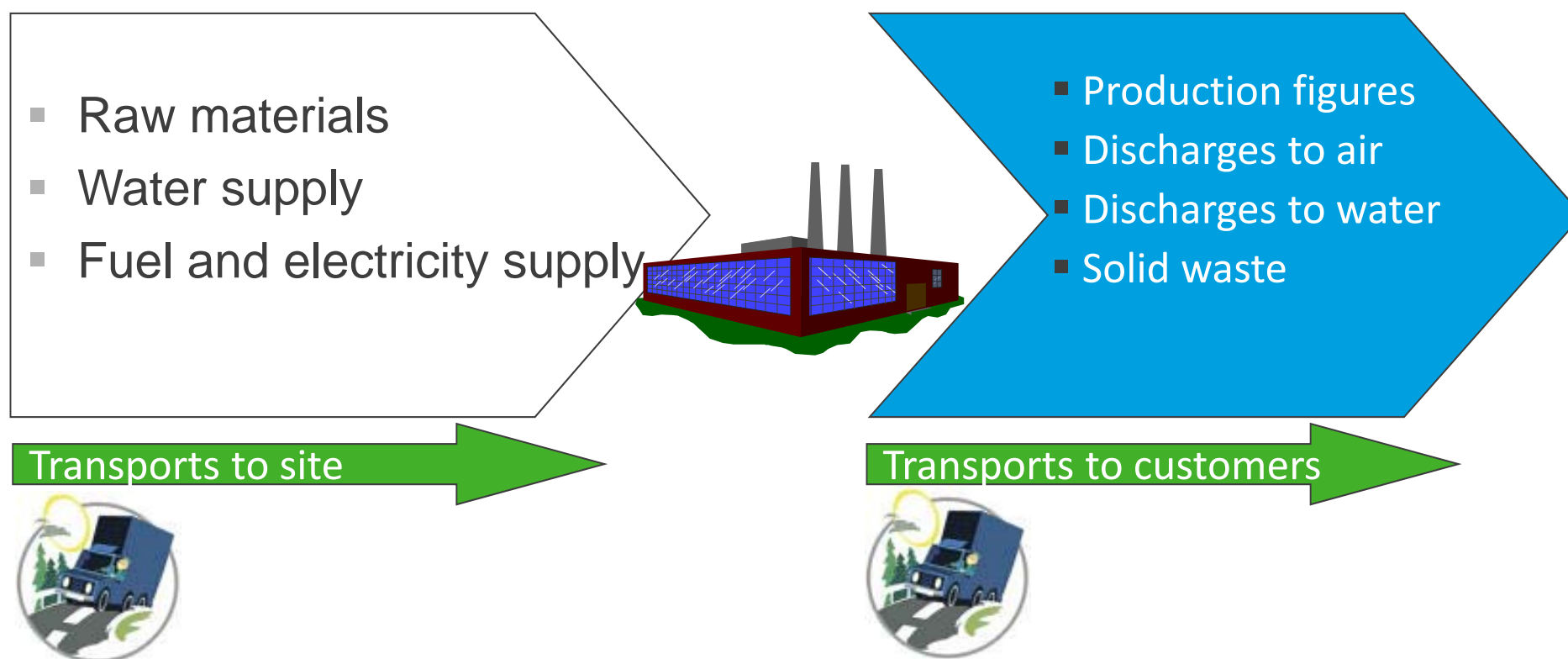
- **input to strategy and policies**
- **internal and external communication**



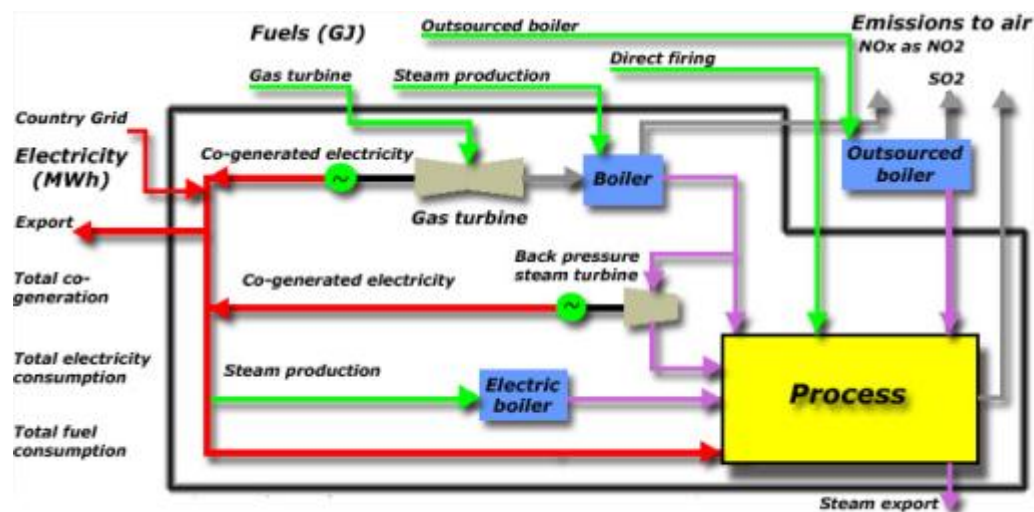
# You get what you **Measure**

## SCA Resource Management System (RMS)

More than 150 users in more than 70 production sites



# RMS – quantitative measures



Report for Le Theil - 2012 (2011 ; %)

SCA RMS - Production Report		
Product	Tonnes	Dryness(%)
Tissue (dry tonnes)		
SC paper (dry tonnes)		
Market Pulp (dry tonnes)		
Cardboard (dry tonnes)		
SCA RMS - Raw Material Report		
Softwood, log (dry tonnes)		
Softwood, chip (dry tonnes)		
Hardwood, log (dry tonnes)		
Recycled Paper (dry tonnes)		
Pulp		
External (dry tonnes)		
From recovered paper (dry tonnes)		
Purchased paper (dry tonnes)		
Other fibres (dry tonnes)		



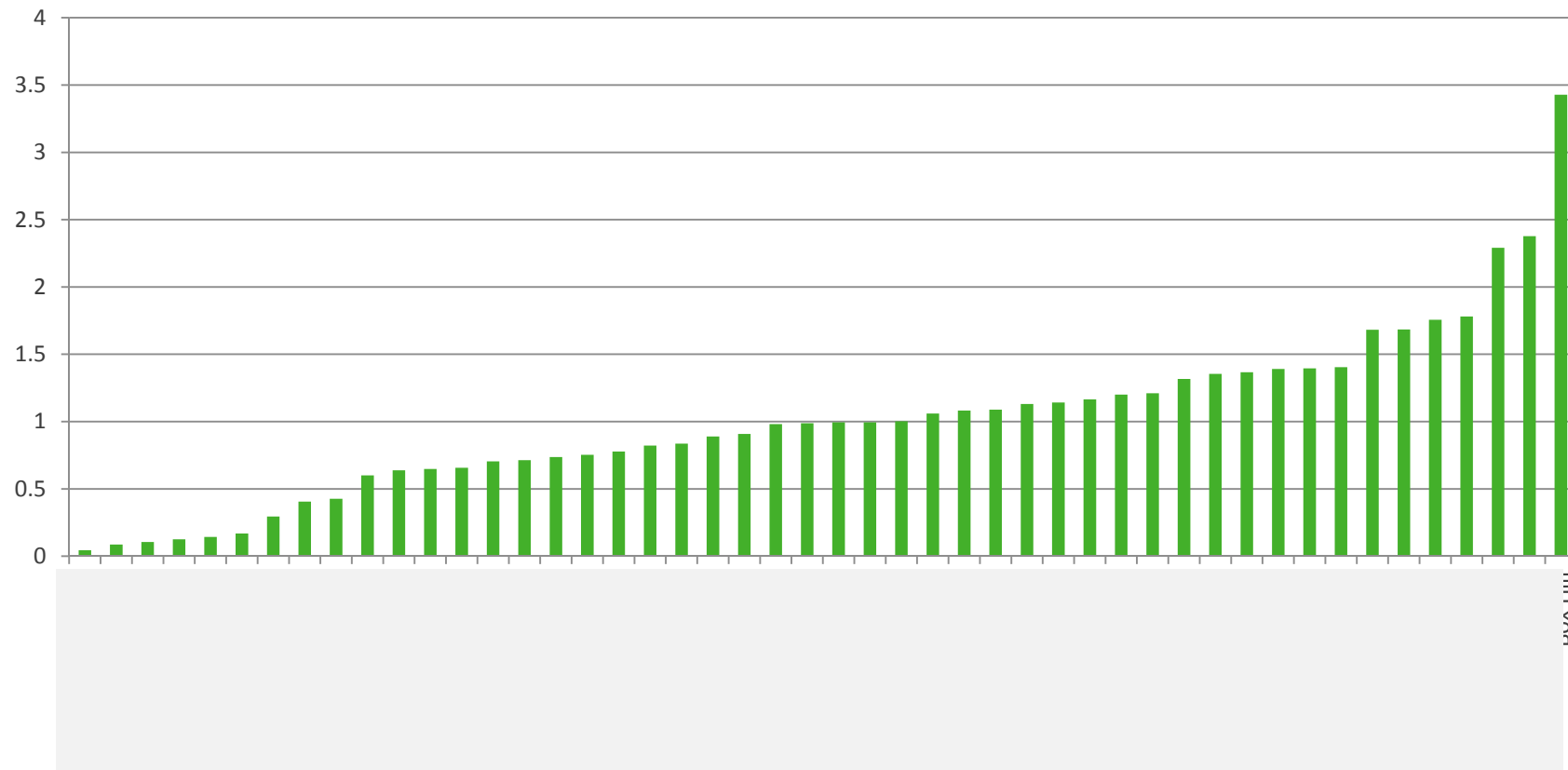
# Internal Competition

## Benchmarking: energy efficiency – ESAVE

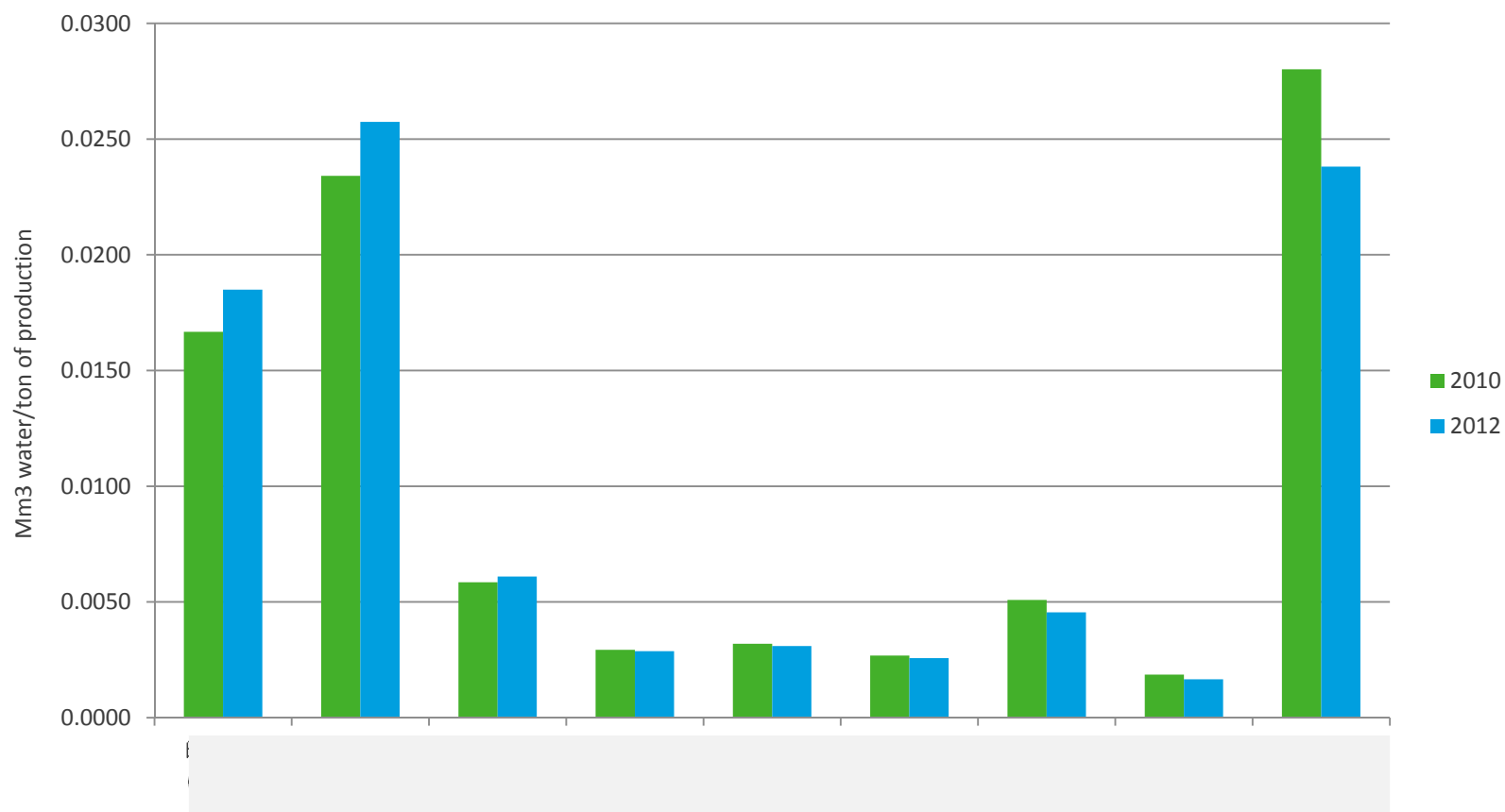


### CO2 emissions per factory

1,700 small-scale ESAVE projects have generated annual savings of SEK 700m since 2003. 225 projects in 2012 resulted in a 1.7% reduction in energy used/ton and a carbon emissions reduction of 47,000 tons



# Benchmarking: water efficiency



\* Reduce water consumption with 10%, in water stressed areas, by 2015 with 2010 as the reference year.

- Data source: RMS

# Everyone improves



## Some examples:

- Geothermal heat in Kawerau, New Zealand
- New soda recovery boiler in Östrand, Sweden, generating 500 GWh of green electricity per year
- Similar project in Obbola, Sweden
- Co-generation plant in Witzenhausen, Germany
- Lime kiln at Östrand pulp mill first in the world to be fueled with pellets
  - Reduces fossil carbon emissions by 80% and cost by SEK 50m/year
- Similar investment at the Munksund liner mill
  - Reduces fossil carbon emissions by 75% and cost by SEK 50m/year
- Biofuels expansion project with the community of Sundsvall

# Everyone improves – no matter how small



- GrapholInvent, a bright, high-bulk paper that feels as thick and strong as more expensive papers
- Lower carbon footprint compared with similar papers, low weight to reduce customers' postage costs



- Thinner saw blades improve revenues and resource efficiency
- The yield increases from 43% to 50%

# The Big Idea

## Forest to solve global warming problem!



deforestation	=	15–20% global emissions
Grow 1 cubic meter tree	=	1.3 tons CO <sub>2</sub>
SCA's forest annual grow 1%	=	2.6 million tons of CO <sub>2</sub>

**IF**

Swedish forest management practices	TO	50% of the world's forests
deforestation	Reduce	50%

**ALL** of the world's CO<sub>2</sub> emissions **Absorbed** by forest, ocean, general vegetation





