

# Global Reporting Initiative (GRI) Index

SCA's Sustainability Report for 2009 follows Global Reporting Initiative guidelines (version G3). SCA is reporting on the A-level as defined by GRI, which has been confirmed by PricewaterhouseCoopers. The table includes all core indicators and the supplementary indicators that are applicable to SCA's operations.

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#### 4.5 Remuneration to senior executives

SCA's variable remuneration programs involve executives at the Group and business group level and include both profit-related and share-related components (see pages 73-74, Note 6 in the AR). The variable remuneration is not based directly on social or environmental results, but indirectly through the environmental targets being included in the strategic plans of all the business groups.

#### 4.6 Process for avoiding conflicts of interests in the board

Pursuant to the Swedish Companies Act, a Board member may not deal with, or participate in decisions on, an issue in which she or he has a conflict of interest. In accordance with the Board's work procedures, a Board member is personally responsible to advise the Chairman if he or she has such an interest in an issue that the member is disqualified. If the conflict of interest is known, the Board Secretary is responsible in accordance with the Board's procedural rules to make the Chairman aware of this situation.

#### 4.7 Processes for determining the competence of board members

The requisite qualifications of a Board member are determined basically by the company's Nomination Committee and the shareholders at the Annual General Meeting. The company has routines to provide the Nomination Committee with the necessary information about the Group's operations and direction in various respects, with the aim of providing the Nomination Committee the best possibility to determine what qualifications and knowledge a Board member of the company should have. When the Annual General Meeting has subsequently elected Board members, the Board Chairman is responsible, as prescribed in the company's work procedures, for ensuring that a new Board member receives suitable introductory training within various areas. In addition, the Board Chairman is responsible for ensuring that entire Board is continuously updated and further gains knowledge about the Group. This is ongoing, including various presentations to Board and through the Board visiting various parts of the operations.

#### 4.9 The board's monitoring of the sustainability work

In general, environmental and social issues are within the President's area of responsibility. The Sustainability Report is also issued by the President. The Board members are also provided the Sustainability Report, although it is not formally dealt with by the Board. Issues related to these two areas arise regularly and are treated on an ongoing basis within the framework of business decisions. Among other aspects, the Board regularly receives briefings regarding compliance with [the Code of Conduct](#) and other guidelines. With regard to "financial" issues, there is a well-developed system for Board control (see the Corporate Governance Report).

#### 4.10 Processes for evaluating the board's own performance

The Board has an annual and structured process to evaluate its work. Environmental and social factors are considered continuously in business decisions.

#### 4.11 Explanations of if and how the precautionary principle is applied

Basic precautionary requirements are stated in the Swedish Environmental Code, Chap. 2, Section 3, paragraph 2 and, for example, in Chap. 2, Section 9, the stop rule, legislation with which the SCA Group definitely complies. SCA's Sustainability Policy states: "SCA promotes appropriate, recognized Environmental Management Systems throughout its organization. SCA continuously reviews and challenges its objectives and targets, in order to reduce its global impact on the environment."

This is applied for example in conjunction with the implementation of the Group's three environmental targets: reduced [carbon dioxide](#) emissions, reduced water consumption and responsible sourcing of [wood fibre](#) and purchased fresh fibre raw material.

The principle is also applied in product development in which the company uses life-cycle assessments to minimise environmental impact. In such an analysis, for example, consideration is made whether more effective material can be used with respect to function and the environment. Can SCA reduce energy consumption in production processes or switch to a better energy source? As an example, the possibility of being able to produce thinner hygiene products through the use of new material with better absorption properties resulted in significant improvements regarding environmental impact.

#### 4.12 Association to external voluntary codes, principles or other initiatives

SCA's Code of Conduct is based upon the following binding international treaties and conventions:

1. [ILO Declaration on Fundamental Principles and Rights at Work](#) (core conventions)
2. [UN Declaration on Fundamental Human Rights](#)
3. [OECD Guidelines for Multinational Enterprises](#)

As well as the 10 principles ingrained in the United Nations Global Compact (voluntary).

#### EC5 Range of ratios for standard entry level wage compared to local minimum wage

SCA does not pay a significant part of the workforce based on local minimum wages in any country. Wages for the significant part of SCA's workforce are based on local industry average. Further, SCA's stated policy is to adhere to at least minimum legislation in all countries in which it operates. It is management's responsibility to ensure that SCA abides by all local government/provincial/municipal regulations. Salaries and wages are reviewed annually with a grandfathering process which should secure that minimum standards are at least met and applied. In most countries SCA has an HR Audit Committee in place, or will have an HR Audit Committee in place within short, aiming to ensure compliance of at least minimum wages. Also, in some locations, workers can call a labour bureau hotline to lodge a complaint if they believe they are paid under the local minimum wage.

#### EC7 Local hiring and proportion of senior management hired from the local community

There is no policy specifying that SCA on the first hand must employ personnel locally. However, it is natural that a large portion of labor is recruited locally. SCA also has a principle that most expansion outside Europe shall be carried out in joint-venture companies. This is to be able to benefit from the local knowledge companies have.

SCA' diversity survey 2009 shows that of the Group's top 1,000 managers, 175 are employed outside their homeland.

#### EC8 Infrastructure investments and services provided for public purposes

SCA contributes to infrastructures primarily in conjunction with construction of new plants in locations in which the infrastructure is not suitable. In the Tula region in Russia, SCA built an apartment building with 20 units for the employees and their families that moved to the region to work in the newly constructed [tissue](#) plant. In

Slovakia, SCA built a customs office and donated funds to the community for infrastructure investments.

## Disclosure on management approach

Information about goals and controls are provided in the 2009 Sustainability Report. The Group's sustainability policy is provided at <http://www.sca.com/en/Sustainability/SustainabilityPolicy/>. Environmental efforts are also guided by various internal position papers addressing specific areas, for example [waste](#) and [LCA](#).

## EN11 and 12 Location/scope of land owned near protected areas of biodiversity value/Factors that affect biodiversity

SCA owns 2.6 million hectares of forestland, of which 2.0 million hectares is used for active forestry. The remainder is low-productive forests such as wetlands and mountain slopes that are not harvested.

All of SCA's forest holdings have been included in ecological landscape planning. A landscape is an area of between 5,000 to 50,000 hectares, depending on local conditions. This process begins with an inventory in which the area's high nature values are identified. In addition, a deficiency analysis is carried out, that is, an analysis of the distribution of life environments in the landscape today compared with a comparable natural forest landscape. This could involve the existence of burned land or older deciduous forests.

Areas are selected in the ecological landscape that are excluded from felling as well as areas that are managed using alternative methods, that is, methods that preserve the existing nature qualities, or methods that recreate life environments that are deficient in the landscape. The entire process is aimed at providing a variation in life environments that can provide a base for retained biological diversity in the landscape.

About 5% of SCA's entire forest holdings of two million hectares of productive land is excluded from felling and 3% is managed using alternative methods. Not less than 2.5% of the land in any landscape is excluded from active forestry.

The forestland used for timber production is the object of detailed planning prior to felling. This planning excludes small areas with high nature values, such as edge zones along creeks and wetlands, stands of divergent tree species and similar areas. Harvesting is then carried out based on this plan, in which the felling team is provided the training and instructions to save individual trees to preserve nature values and to exercise other nature conservation measures. In total, 5% of the forest is excluded in this so-called detailed conservation comprising:

- Tree groups 4%
- Individual trees 12%
- Edge zones, lakes 9%
- Edge zones, creeks 11%
- Edge zones, wetlands 17%
- Wet hollows 12%
- Swamp forest 14%
- Rocky outcrops and boulder areas 12%
- High-density deciduous forests 2%
- Mountain slopes 6%
- Other 1%

## EN19 Emissions of ozone-depleting compounds

According to the EU Parliament regulation 2037/2000 and Council directive 1994/60 (the Montreal protocol) the production and placing on the market of a number of ozone-depleting substances are prohibited or strictly restricted. Hence these substances are not intentionally included in or used in the manufacturing process for SCA's products.

## EN23 Significant spills

In the event of significant spills that could result in legal action, SCA intends to report such events in its Sustainability Report. Currently, the company is not aware of any such instances. Minor incidents are dealt with locally and not reported.

## EN27 Products sold and their packaging materials that are reused

Packaging and publications paper have a recycling rate of 70-90%. The high recycling rate is due to several countries' collection systems for used paper and packaging products. [Tissue](#) contains almost 100% [renewable](#) fibres and baby, feminine and incontinence care products between 30-75% [renewable](#) materials. SCA use about 60% virgin fibre and 40% [recovered fibre](#) in its [tissue](#) products.

[Personal care](#) products (incontinence products, feminine hygiene products and baby diapers) are not intended

for recovery. The products suit all **waste** treatment systems. When incinerated, they form a source of energy, thus putting them to good use even in the final stage of their life cycle. The **renewable** part of SCA's products is biodegradable. None of SCA's products cause any harm on a landfill.

SCA is continuously working with reduction of **waste** after use. One example is SCA's open baby diaper where weight has been reduced by 33% and packaging material by 40% over the past 20 years. But the Group also work directly with its customers. Tena incontinence offers services that help institutions reduce **waste** through more efficient use of products. Using the right product for the right occasion is a good way of reducing resources.

## EN28 Fines non-monetary sanctions for non-compliance with applicable laws

To the extent fines occur, they are reported in the Annual Report. Small fines are handled locally.

## Disclosure on management approach

The overall document for control of the Group's social responsibility is **the Code of Conduct**, which is inherently a policy document. Information about goals and controls are provided in the 2009 Sustainability Report. The Group's sustainability policy is provided at <http://www.sca.com/en/Sustainability/SustainabilityPolicy/>. Other relevant documents are the Group's Health and Safety policy and Global Framework Agreement.

With regard to product liability, conditions vary by country and product. There is no general policy in this area. Responsibility is decentralized to each business group.

## LA3 Benefits provided to full-time employees

SCA offers a number of employee benefits, including disability and invalidity coverage, medical insurance, life insurance, maternity/paternity leave, and company retirement plans. On average, one or more of these benefits are available to more than 75% of SCA full-time employees and around 50% of part-time and temporary employees. In some countries such benefits are mandated by legislation, but even where this is not the case, SCA frequently provides benefits on a voluntary basis. For instance, life insurance and retirement plans are provided in more than 80% of the countries in which SCA operates.

## LA8 Programs to assist workforce regarding serious diseases

Most of the business groups have support programs for work-related illnesses and in many cases these also cover nonwork-related illnesses such as HIV/Aids. In general, SCA offers counseling and/or training programs for the employees and often also the employee's family.

## LA11 Programmes for skills management and lifelong learning

SCA has a strong commitment to both developing its people and in ensuring they are prepared for all aspects of their time as an employee of the company. SCA offers a range of induction programmes supported by group induction material, and provides a combination of both internal and external training in skills and competency development for example, apprenticeships, brand and marketing academies and sales skills development. SCA also invests in developing future leaders through first line manager training, Action Learning Programmes and the Leadership Academy, which is currently being re-vamped with the newly developed SCA leadership platform.

SCA also strongly supports both mentoring and coaching and offers a broad range of options in these areas to help developing employees.

In addition SCA helps prepare people for retirement and severance from the company through pre-retirement arrangements and support and outplacement services as appropriate.

## LA14 Ratio of basic salary of men to women

It is not practically possible to compare salaries between men and women in the entire Group. Nevertheless, SCA plans in conjunction with its annual diversity survey of the Group's senior executives to also compare the salaries of these men and women.

## HR1 Consideration for human rights in regard to investments

There are two areas that SCA routinely looks into as part of due diligence exercises that are relevant to maintaining SCA's **CSR** standard and consistency to its core values in significant investments. Firstly, SCA makes a legal due diligence where one element will examine a target company's compliance with local and international laws, including relevant employment and **human rights** legislation. In this way, SCA aims to uncover any potential serious issues which, should they arise, would stop SCA from dealing further with the target company.

Secondly, in larger acquisitions, SCA makes a Human Resources due diligence where things like culture and Human Resources practices, amongst other things, are looked into. In this way, SCA is able to examine the

practical application of the company's policies and understand how they are implemented and how reliable they are. While of course this exercise is at times subjective, it is a way to look into the values of the company, how they fit with SCA, and to give another opinion on their behaviour.

## HR5 Operations where freedom of association and collective bargaining may be at significant risk and actions taken

SCA's human rights assessments investigations are also carried out with regard to potential risks that the employee's right to freedom of association and collective bargaining were subject to any limitations. No such evidence has been found.

This is also on the agenda and thoroughly discussed at the bi-annual meetings SCA has with representatives of ICEM/Pappers and SCA EWC regarding potential violations of the Framework agreement that SCA has entered into with these organizations. No indications of breaches have so far been found.

## HR6 and 7 Child labour, Forced & compulsory labour

No SCA operation is considered in the risk zone for child or forced labor. All SCA units annually report the ages of their youngest employee and to date no risks have been identified. In SCA's evaluations of human rights in countries in which the risk of not complying with the SCA Code of Conduct is assessed as high, no risks of child labor, forced labor or violation of the rights of indigenous people have arisen.

## HR9 Total number of incidents of violations involving rights of indigenous people and actions taken

There are no incidents concerning rights of indigenous people. SCA has the most utmost respect for all societies and works closely with its stakeholders to have a strong relationship.

There is an ongoing stakeholder discussion with the Sami people of Sweden. More information can be found on p.14 and 21 in the SR.

## SO1 Programs for evaluating the operation's impacts on communities

SCA is aware of the company's impact on the local community but does not have any specific Group policy or program that deals with starting or closing operations. However, any significant impact on the local community is generally taken into account in the planning of new facilities or investments in existing plants. A large part of SCA's facilities date well back in time and are well integrated in the local community. Environmental impact and the health and safety of the local population is viewed highly seriously and is also controlled by the local authorities.

To complement the ongoing work and commitment of SCA in the community, the company has put together a Sponsorship policy with the aim to better manage its impact.

## SO5 Participation in public policy development and lobbying

SCA is a company with global presence and, accordingly, is affected by various legislation and rules worldwide. SCA's Code of Conduct clearly states that the company shall comply with local laws and regulations. Europe is SCA's main market and EU policy and legislation is therefore of major importance of the Group. Certain information about SCA and environmental policy is provided in the 2009 Sustainability Report on pages 18 and 25. This lobbying is often coordinated through CEPI (Confederation of European Paper Industries).

Other segments of SCA's operations also maintain dialogue with various interests. An example is SCA's incontinence brand Tena which has a large network of talking partners on national and international level. They are, for example, decision-makers, legislators, purchasers as well as medical experts, patient and care provider organizations and trade organizations. Without all these contacts, Tena could not conduct business in the healthcare sector and it is a good example of how stakeholder dialogue is a natural element of SCA's operations.

## SO6 Total value of fines for non-compliance to political parties, etc.

SCA is a company that states that it will not contribute financially to political parties or institutions by country. This can also be found under the Sponsorship policy. In 2009, there were no reports of any contribution of this sort.

## SO7 Total number of legal actions for anti-competitive behaviour

In 2009, the SCA Group did not receive any reports of legal actions against anti-competitive behaviours.

## SO8 Monetary value of fines for non-compliance with applicable laws

SCA's business is of the type that normally does not generate significant fines or sanctions for violations of prevailing laws or ordinances. If such should arise, they are reported in the Group's Annual Report.

### PR1 Life cycle stages in which health and safety impacts of products and services are assessed

The SCA products that come in close contact with consumers are primary within the [Personal Care](#) business group, which produces baby diapers, feminine hygiene products and incontinence protection. There are routines for how [Personal Care](#) works with product safety evaluations of input materials in each product. The materials included in a product undergo an assessment by product safety specialists before being sent to production and thereafter to customers and consumers. The product safety assessment includes compliance with laws and directives, toxicological tests and chemical analysis to ensure that the product is safe for the consumer.

SCA [Personal Care](#) audits suppliers regularly based on a Supplier Standard, which contains quality, product safety and environmental requirements, that has been in place since 1997 and updated in 2005 and 2008.

Moreover, SCA [Personal Care](#) has been working with lifecycle assessments (LCA) since the 1990s in which the business group calculates the product's environmental impact during its entire life cycle

In the packaging operations, certain packaging is in contact with food. The EU has comprehensive food legislation with laws governing this area.

### PR3 Product labelling and information

All incontinence products sold in Europe must meet CE labeling requirements in accordance with Medical Devices directive 93/42/EEC. There are routines and quality documents within the [Personal Care](#) business group that deal with incontinence products.

Otherwise, there are no legal requirements regarding the information that must be shown on SCA's products, while on the other hand customers and consumers place demands on, for example, environmental certification, or the use of [renewable](#) materials. Certain SCA products are eco-labeled, such as the North American EcoLogo, the Nordic Svanen, German Blaue Engel or Environmental Choice in New Zealand. The right to these environmental labels requires fulfilling stringently specified requirements. About 50% of the fibre SCA uses in its products is [recovered fibre](#).

### PR6 Programs for adherence to laws, standards and voluntary codes for marketing communications

SCA is a B2B company, meaning the customers are companies. However, certain products are intended for consumers, mainly in the hygiene products operations. The basic rule in SCA's Code of Conduct is that SCA shall comply with the laws and standards applicable in those countries in which the company is active. However, there is no general program in the area. The responsibility is decentralized to the business groups. A Group-wide sponsoring policy is being developed.

### PR9 Monetary value of fines for non-compliance with regulations concerning the use of products and services

SCA's products are not in categories that normally incur fines of the type considered here.