

2019

SCA ANNUAL REPORT 2019



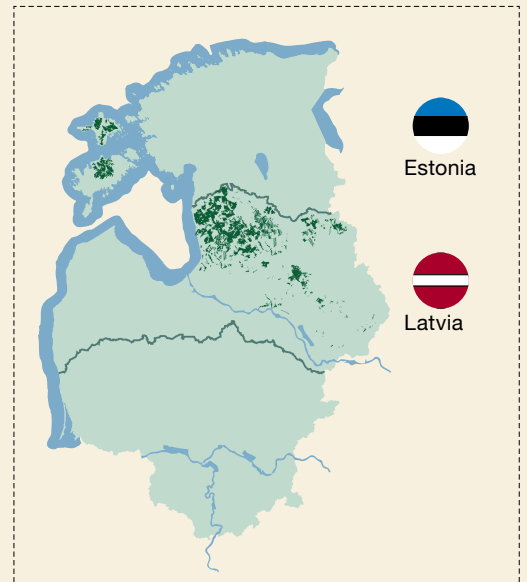
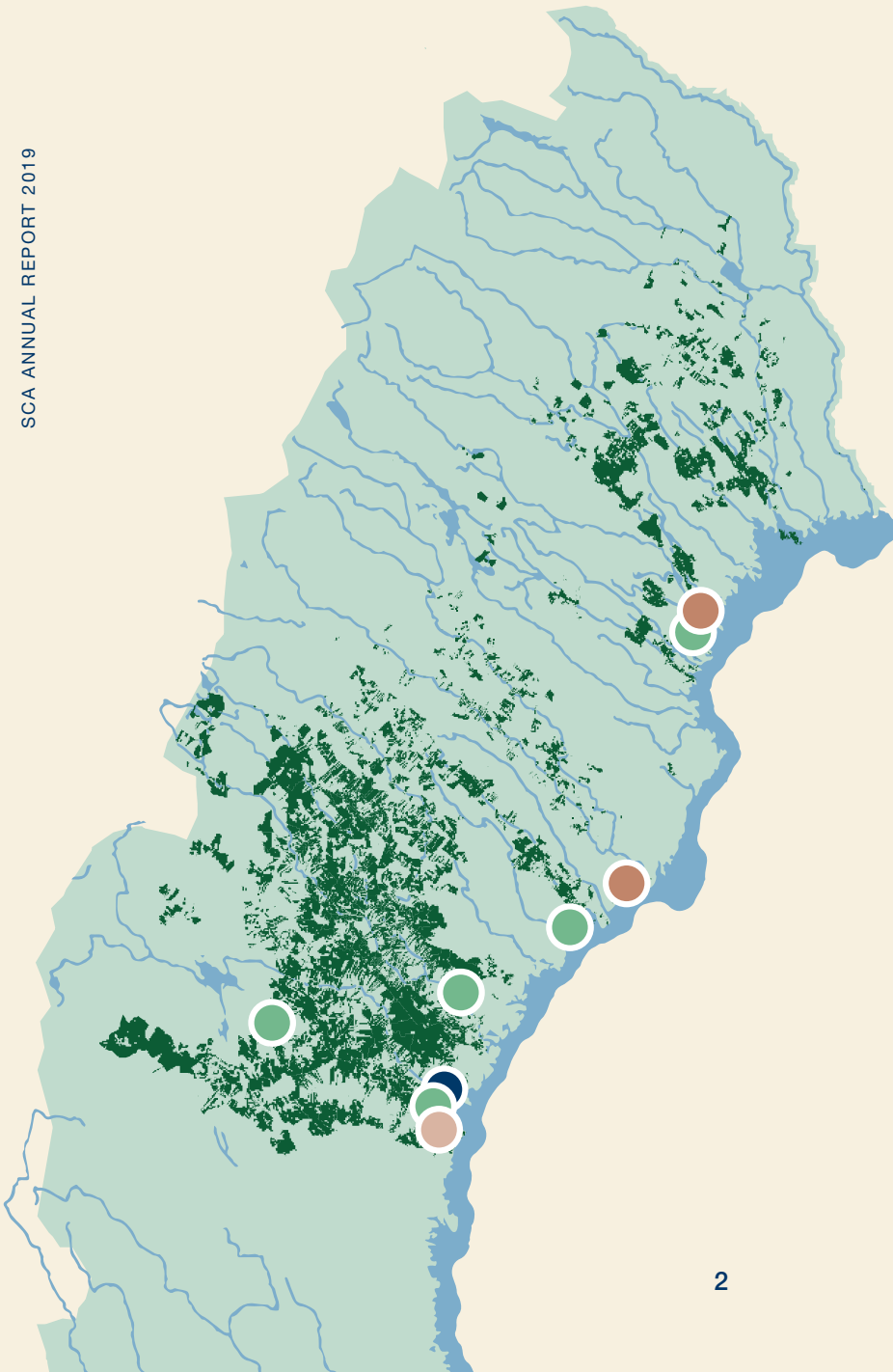
Europe's largest private forest owner

SCA is Europe's largest private forest owner with 2.6 million hectares of forest in Northern Sweden and 30,000 hectares in Estonia and Latvia. Based on this unique resource, SCA has developed an industry that generates the greatest possible value in and from the forest.

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2.6
million hectares
of forest land

-  Pulp mill
-  Sawmills
-  Publication paper mills
-  Kraftliner mills
-  SCA's forest holdings



This is SCA



Wood

SCA is one of Europe's leading suppliers of wood-based products for the wood industry and building materials trade, with an annual production capacity of 2.2 million m³ of solid-wood products. SCA has five cost-efficient sawmills located close to its forest holdings in Northern Sweden, as well as wood processing and distribution to the building materials trade in Scandinavia, the UK and France.



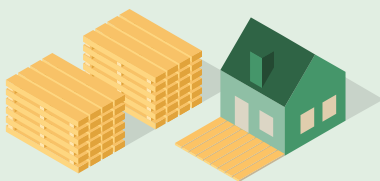
Paper

SCA produces kraftliner – paper for corrugated transport packaging – and publication paper for magazines, catalogs and commercial print. SCA is Europe's largest independent producer of kraftliner, with a total capacity of 865,000 tonnes per year. Kraftliner is produced at the paper mills in Munksund, Piteå, and Obbola, Umeå. Publication paper is produced at the Ortviken paper mill in Sundsvall, with a capacity of 775,000 tonnes per year.



Forest

SCA owns a total of 2.6 million hectares of forest in Northern Sweden, an area nearly the size of Belgium, and 30,000 hectares in Estonia and Latvia. SCA's unique forest asset is a growing resource that provides access to high-quality forest raw materials while capturing a net of more than 10% of Sweden's fossil CO₂ emissions.



Pulp

SCA produces market pulp at Östrand pulp mill. The mill was expanded in 2018 to double its capacity. Östrand is now one of the most competitive production facilities for bleached softwood kraft pulp in the world. Together with chemical thermomechanical pulp production, Östrand's annual capacity amounts to 1 million tonnes. SCA's pulp has high-strength properties, suitable for tissue and specialty paper.



Renewable energy

SCA is now one of Europe's largest producers of forest-based bioenergy, with a total production of about 11.9 TWh per year. In Sweden, SCA has three pellets factories that have an annual production capacity of 300,000 tonnes. SCA leases out forest land for wind power production. In 2019, 485 wind turbines were operating on SCA's land with a total annual production capacity of 4.4 TWh. SCA also develops products for the next-generation of biofuels and green chemicals.

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The year at a glance

Sales grew 4.5%
while EBITDA increased 1%.

Net sales

SEKm **19,591**

EBITDA

SEKm **5,319**

EBITDA margin

27%

Net debt / EBITDA

1.6x

Industrial return on capital employed

12%

Earnings per share

SEK **4.05**

Proposed dividend per share

SEK **2.00**

Financial information excluding the impact of the changed accounting method for the valuation of forest assets. The reported result can be found in the Consolidated statements and notes on page 82.



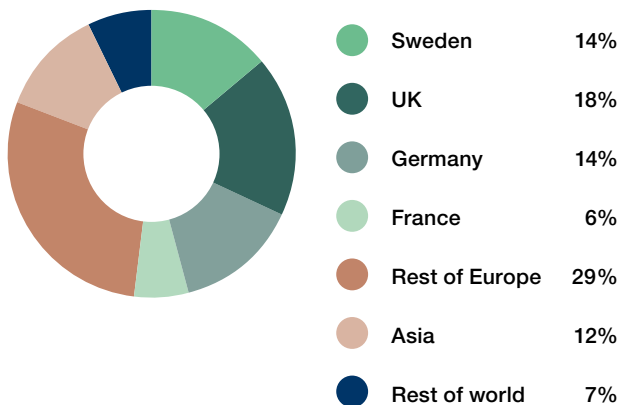
SCA grows seedlings for its own use and for other forest owners. The capacity is 100 million seedlings per year.

Key figures

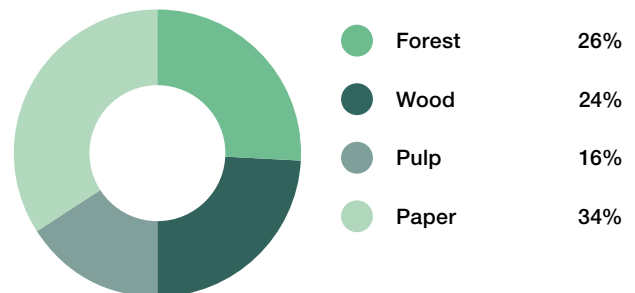
Financial information excluding the impact of the changed accounting method for the valuation of forest assets.

	2019 SEKm	2018 SEKm
Net sales	19,591	18,755
EBITDA	5,319	5,252
EBITDA margin	27.2%	28.0%
Operating profit	3,703	4,002
Operating margin	18.9%	21.3%
Profit for the period	2,847	3,659
Earnings per share, SEK	4.05	5.21
Proposed dividend per share, SEK	2.00	1.75
Operating cash flow	2,922	2,751
Strategic capital expenditures	1,256	1,967
Capital employed	77,107	46,082
Industrial return on capital employed	11.9%	20.1%
Net debt/EBITDA	1.6x	1.3x
Average number of employees	4,253	4,216
Accidents, LTA per million hours worked	7.4	9.1
Climate benefit, million tonnes of CO ₂	10.5	8.0

Net sales by geography



Net sales by segment¹⁾



1) Share of net sales before elimination of intra-Group sales

We generate value in and from the forest

SCA continued to drive profitable growth in 2019. Our forest holding increased in both volume and area. At the same time, we are strengthening the integrated value chain. The Östrand pulp mill is being ramped up to optimal performance and SCA has taken its next major investment decision for a new paper machine in Obbola.

Demand and market prices declined for all product areas. But despite a weaker market, both EBITDA and operating cash flow were higher than in 2018.

Value generated

Since starting operations in 2018, we have gradually ramped up the Östrand pulp mill toward full production. The expansion of Östrand is an important investment for us and for Northern Sweden. We are now where we want to be. The mill is in full production with high pulp quality and a leading cost position.

The investment in Östrand has enabled SCA to grow and to generate value for shareholders, customers, suppliers and employees.

Profitable growth

In 2019, we decided on the next major step for continued profitable growth. We will invest SEK 7.5bn in kraftliner production in Obbola in order to meet the demand for sustainable packaging. With the market's most advanced kraftliner machine and the best available technology, we will substantially improve the mill's competitiveness. The project fits well into our strong integrated value chain.

The kraftliner operations have delivered a strong cash flow for SCA for many years. We anticipate that the investment will already be profitable during the first year of operation and will make a positive contribution to our industrial return on capital.

Renewable energy

Our next main growth area is renewable energy and an extensive installation of wind power is taking place on SCA's land. In 2019, annual wind power capacity increased from 2.6 TWh to 4.4 TWh, equivalent to 20% of total wind power capacity in Sweden. Within a few years, wind power production on SCA's land is expected to double to 8.0 TWh.

In parallel, our development program related to biofuel is continuing. SCA is already one of Europe's largest producers of forest-based bioenergy. With our access to raw materials from the forest and from our industrial by-products, we have the necessary elements in place to enable further processing to produce liquid biofuel and green chemicals – future growth areas for SCA.

Growing forest resource

SCA has never had so much forest. Forest is the unique asset of SCA and the foundation of everything we do. We manage the forests to maximize growth of renewable raw materials and a new forest survey has shown that both the standing volume and growth is considerably higher than previously thought.

We also aim to increase the area of forest land we own and acquired forest in the Baltic states during the year. Our intention is to continue acquiring forest when the conditions are right.

I want to highlight the significant value of the forest in addressing the greatest societal challenge of our time – climate change. SCA's operations generate considerable climate benefit as our well-managed forests bind carbon dioxide as they grow, and as the renewable raw material produced can replace finite fossil products that leave a large carbon footprint.

Our growing forest and renewable products mean that we can leave fossil carbon in the ground.

The forest represents a significant capital value. Following recent major forest transactions, we are changing the accounting method. Taken together with the now larger standing volume, this means the value of our forest asset in the balance sheet more than doubled.

Vibrant local communities

SCA's operations affect many people, particularly in Northern Sweden, where we have our forests and most of our industries and employees. The region's forest owners sell timber to SCA every year. Contractors work in our forests, transport our timber, sharpen our saw blades and train our employees. More than half of our cost base goes to recipients in Northern Sweden and helps to create a strong and vibrant region.

SCA's forests also offer excellent opportunities for recreation. Thousands of people use our forests and particularly our forest roads for hunting, fishing, reindeer herding, nature tourism or to pick berries and mushrooms.

Working with the forests requires a long-term perspective with sustainability as a starting point. In everything we do at SCA, we create value for the future.

Ulf Larsson,
President and CEO

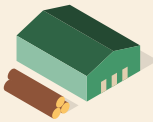


“Our growing forests and renewable products mean that we can leave fossil carbon in the ground.”

We support the UN Global Compact and its principles.

We use the entire tree

SCA has built an industrial ecosystem that maximizes value creation in and from the forest through renewable products and a resource-efficient value chain.



Sawmills

The most valuable part of the tree is processed in the sawmills into wood products. Some of these become window components, painted cladding or shelves. More than half of the log is used for wood products. The remainder becomes chips for pulp production or sawdust that is processed into pellets. The bark is used in energy production.



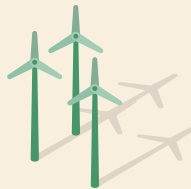
Bioenergy

Energy used by SCA's plants is almost exclusively from bioenergy. By-products are used to produce heat and electricity. SCA also produces energy for external customers – green electricity, district heating, unrefined and refined biofuels – and is assessing opportunities to produce liquid biofuels.



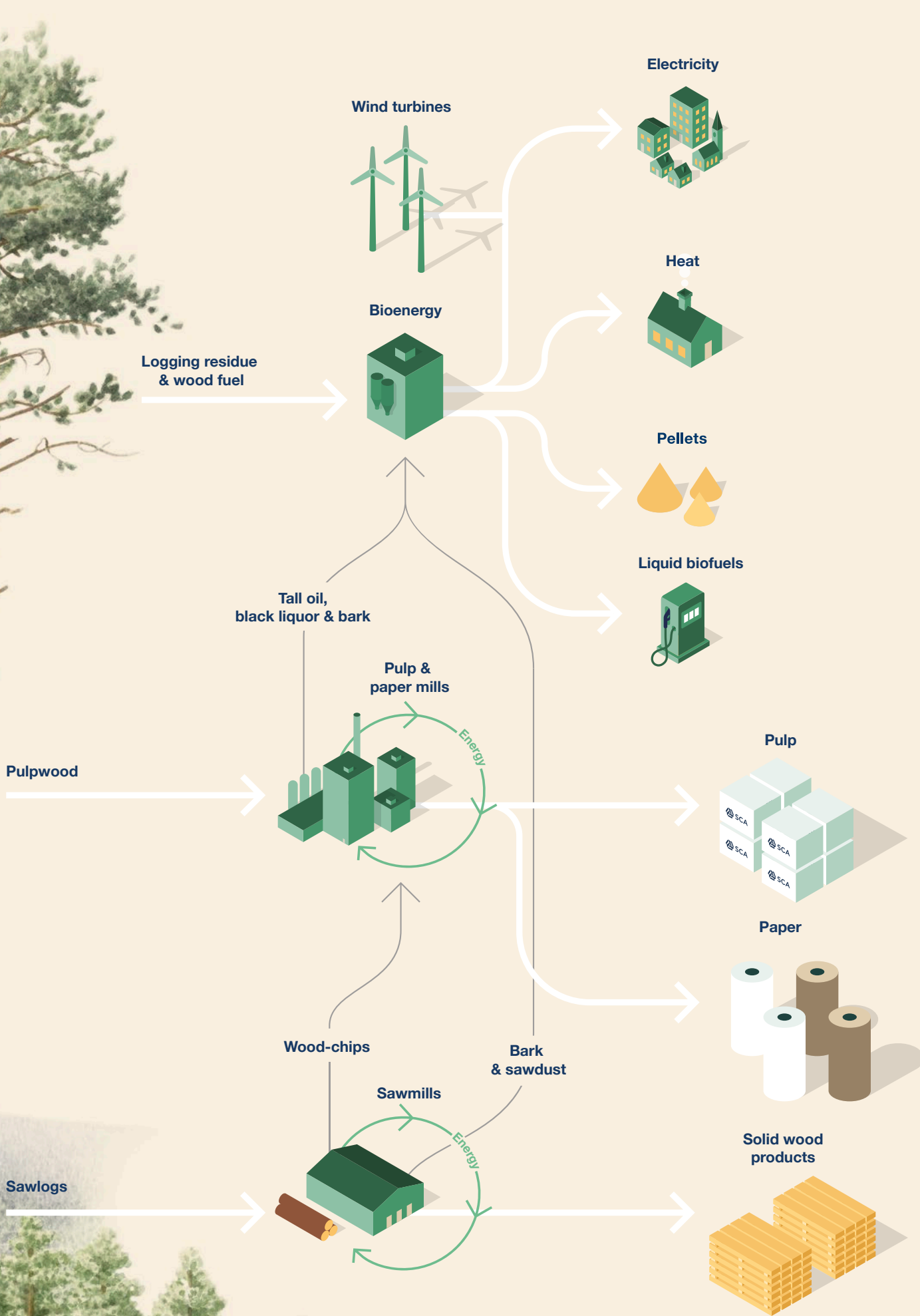
Pulp and paper mills

SCA's fiber industry produces chemical and mechanical pulp, publication paper and packaging paper. The pulp and paper mills are supplied with wood from forests that cannot be used for solid-wood products, and with sawmill chips. In addition to pulp, a kraft pulp mill also produces large amounts of renewable energy. The bark is used for energy production, heat is recycled and steam is used to produce electricity. By-products, such as tall oil and turpentine, are further refined into biofuels and green chemicals.



Wind power

SCA's 2.6 million hectares of forest contain a large number of locations with favorable wind conditions. SCA prepares wind power projects and leases land to power producers and investors in green energy that generate and sell green electricity.



The green cycle for a fossil-free

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In the green cycle, carbon atoms move between the forest, forest products and the atmosphere. Through photosynthesis, trees use carbon dioxide in the air to build wood fiber. The raw material from the forest is then used for solid-wood products, pulp, paper and renewable energy. Timber houses can retain carbon for many years and paper is recycled and used several times. And finally, the worn-out wood fiber is used for energy production and becomes carbon dioxide, which can again be captured by growing trees.

As trees get older, their growth gradually slows. Lastly, the tree dies and it decomposes, and the bound carbon is released back into the atmosphere. Through active forest management, high growth can be maintained in the forest. Harvested trees are replaced with new forest seedlings. The volume of growing forest is increasing. Renewable raw materials from the forest can be used to replace products and materials with a larger carbon footprint and the fossil carbon can be left in the ground.

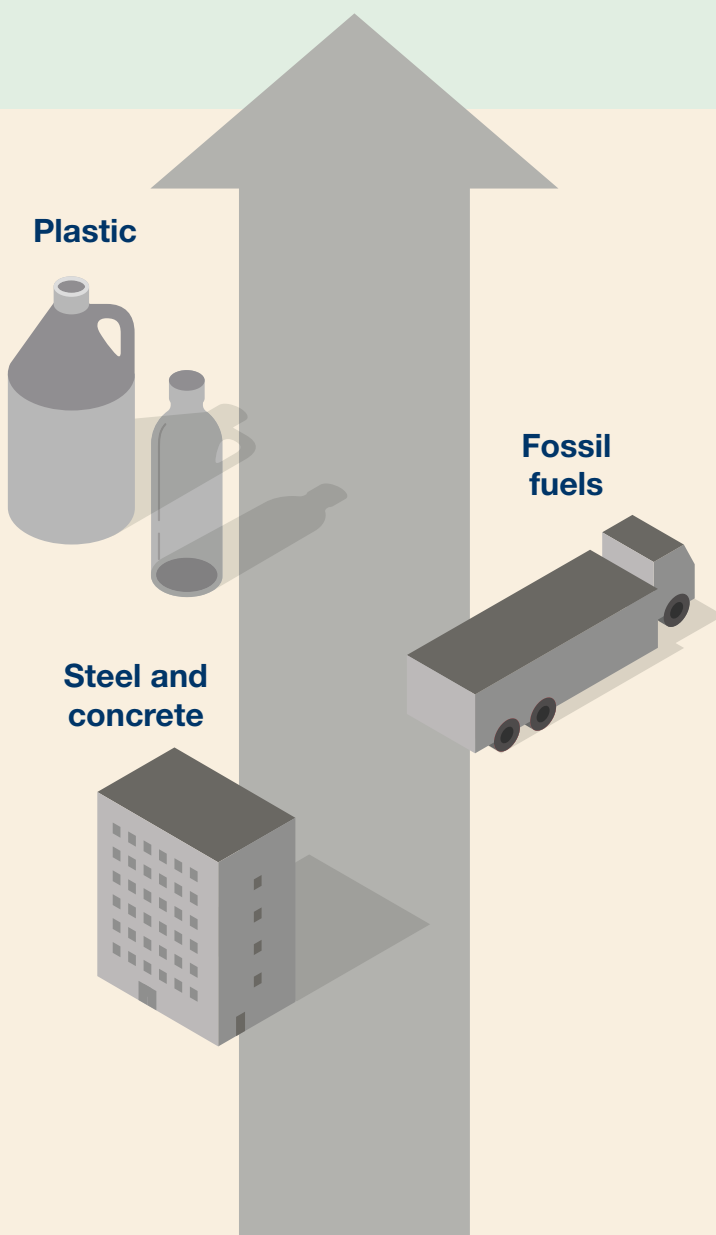
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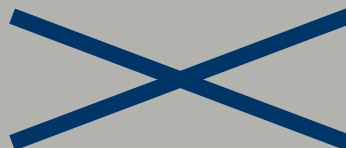
CO₂

3

...that replace fossil-based alternatives.



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Fossil carbon stays in the ground

SCA's contribution to a fossil-free society

1

CO₂

Binds, net
5.4
Mt CO₂

Growing forests capture and bind CO₂ – active forest management increases growth, for example, through improved seedlings, active silviculture, contorta pine and fertilization.

Fertilization

Contorta pine

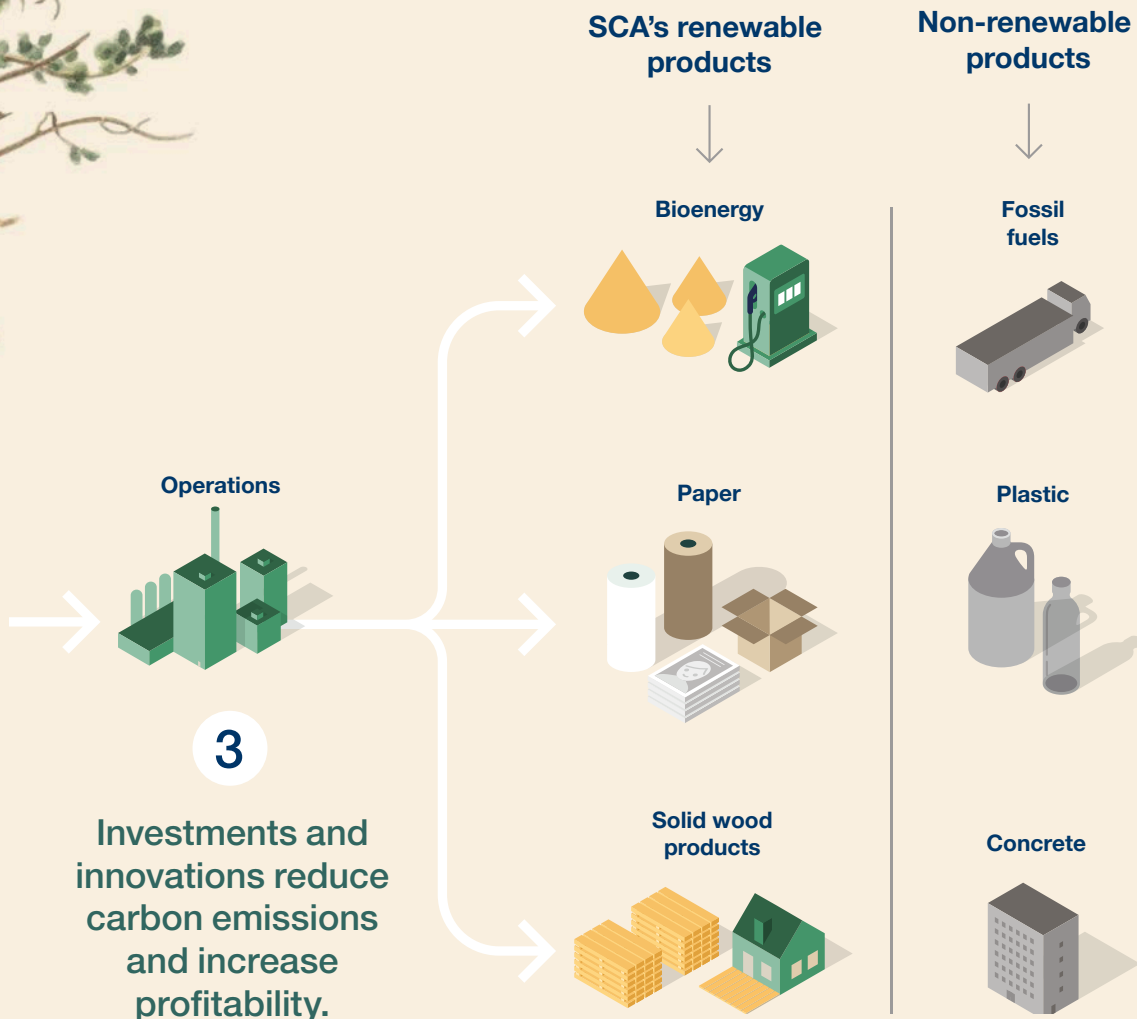
Active silviculture

Improved seedlings

2

Higher growth enables more substitution – renewable alternatives replace fossil-based products and allow us to leave carbon in the ground.

Replaces
6.0
Mt CO₂



3

Investments and innovations reduce carbon emissions and increase profitability.

Low emissions
0.9
Mt CO₂

In 2019, SCA's climate benefit was 10.5 million tonnes of CO₂, which corresponds to emissions from all passenger cars in Sweden.

For more information, refer to Sustainability facts on pages 149–150.

Vibrant local communities

SCA is an important source of economic activity and welfare in Northern Sweden. In addition to creating work for employees and contractors, SCA purchases timber from private forest owners and products and services from a range of local suppliers.

about SEK **25bn**

The amount disbursed by SCA in 2019 for investments and costs to run the company's operations. More than half of this figure, 51%, was spent in Northern Sweden, in the form of payments to private forest owners, suppliers and contractors and as salary to employees.

A further 30% was paid to recipients in the rest of Sweden and 5% as dividend to the company's shareholders.

Most of SCA's revenue is from exports, while the major share of costs is in Sweden.



SCA's forests offer excellent opportunities for recreation. Thousands of people use our forests and forest roads for hunting, fishing, reindeer herding, nature tourism or to pick berries and mushrooms.

SCA's competitive industries not only support the value of SCA's forests, but also those belonging to other forest owners.



Disbursements in 2019

● Suppliers in Northern Sweden	40%	} 51%
● Salaries to employees in Northern Sweden, including taxes and social security costs	11%	
● Suppliers, tax and fees in Sweden outside of Northern Sweden	29%	
● Dividend	5%	
● Suppliers outside Sweden	15%	

Disbursements in northern Sweden: 51%



Transportation

SCA is one of Sweden's largest transport purchasers – road, rail and shipping.



Many contractors and contractor employees have worked for SCA for many years, sometimes for generations.

Contractors

Much of the work in SCA's forests is carried out by contractors with their own employees. For each SCA employee, SCA provides work for at least two people with contractors and subcontractors.

Goods/services

SCA also generates goods and services in other areas than its own processing chain.

Public service

Municipal taxes paid by employees and contractors is an important base for financing local public service.



SCA's employees play an important part in the local community, not only as consumers and taxpayers, but also as citizens, members of local associations and as neighbors.

Rising global demand for renewable resources

A rising world population and economic growth are increasing pressure on the earth's resources and the need for renewable products. The forest plays an increasingly important role in meeting growing societal needs.



Focus on the climate

The forest's value chain generates climate benefit. Growing forests capture more and more carbon dioxide and increase access to renewable fiber, which can be used to replace products, materials and fuels with greater climate impact.

Increased demand for renewable materials and products

Sustainable consumption requires a transition to renewable and recyclable materials and products. Raw materials from well-managed and growing forests have a crucial role to play in this transition. Products from the forest are replacing products from fossil sources – plastic packaging is being replaced by paper packaging, fossil fuels are being replaced by biofuels and wood is replacing steel and concrete. The forest is becoming an increasingly strategic resource.



A growing population and middle class

The world's population is increasing and in most countries the middle class is growing, with a rise in consumer expectations.

E-commerce

Growth in e-commerce is increasing demand for packaging material. Distribution directly to customers places greater demands on higher packaging quality and printable surfaces. Product returns further increase demand and quality requirements.

Renewable energy replaces fossil

The move toward an increasingly circular economy and the need to replace fossil fuels in various applications is driving demand for renewable energy. This is increasing demand for electricity from renewable sources, such as wind power. In the transport sector, the quota obligation and requirements to reduce the use of fossil fuels are driving demand for renewable fuels.

Strategy for profitable growth

The forest is a renewable resource that forms the core of SCA's operations. Around the forest, SCA has built a well-invested and efficient value chain. SCA wants to grow its forest resource and further raise the value from each tree.

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Growing, renewable forest resource

SCA wants to grow as a forest owner and enhance growth in existing forest assets through active forest management.

Increased value from each tree

SCA's investments are to strengthen the integrated value chain and provide favorable returns, in parallel with ensuring the company maintains a stable balance sheet.

-
- 1** **Increase growth and harvesting**

Through active forest management and growth-enhancing measures, SCA is increasing growth and long-term harvesting potential.

 - 2** **Acquire forest land**

SCA wants to grow as forest owner in its supply area. In 2019, SCA acquired 30,000 hectares of forest in the Baltic states.

 - 3** **Optimize nature conservation**

SCA is evolving its nature conservation to combine the preservation of biodiversity with a high level of timber production.

 - 4** **Increase pulp production**

The expanded Östrand pulp mill is ramping up to optimal performance. Opportunities for additional pulp production are being evaluated.

 - 5** **Increase kraftliner production**

A new kraftliner machine at Obbola paper mill will increase production, improve the cost position and strengthen SCA's position as the leading independent supplier of kraftliner.

 - 6** **Develop business opportunities in renewable energy**

Wind power production is increasing on SCA's land and work is continuing to develop biofuels and green chemicals based on by-products from the forest and industry.

 - 7** **Reduce exposure to publication paper**

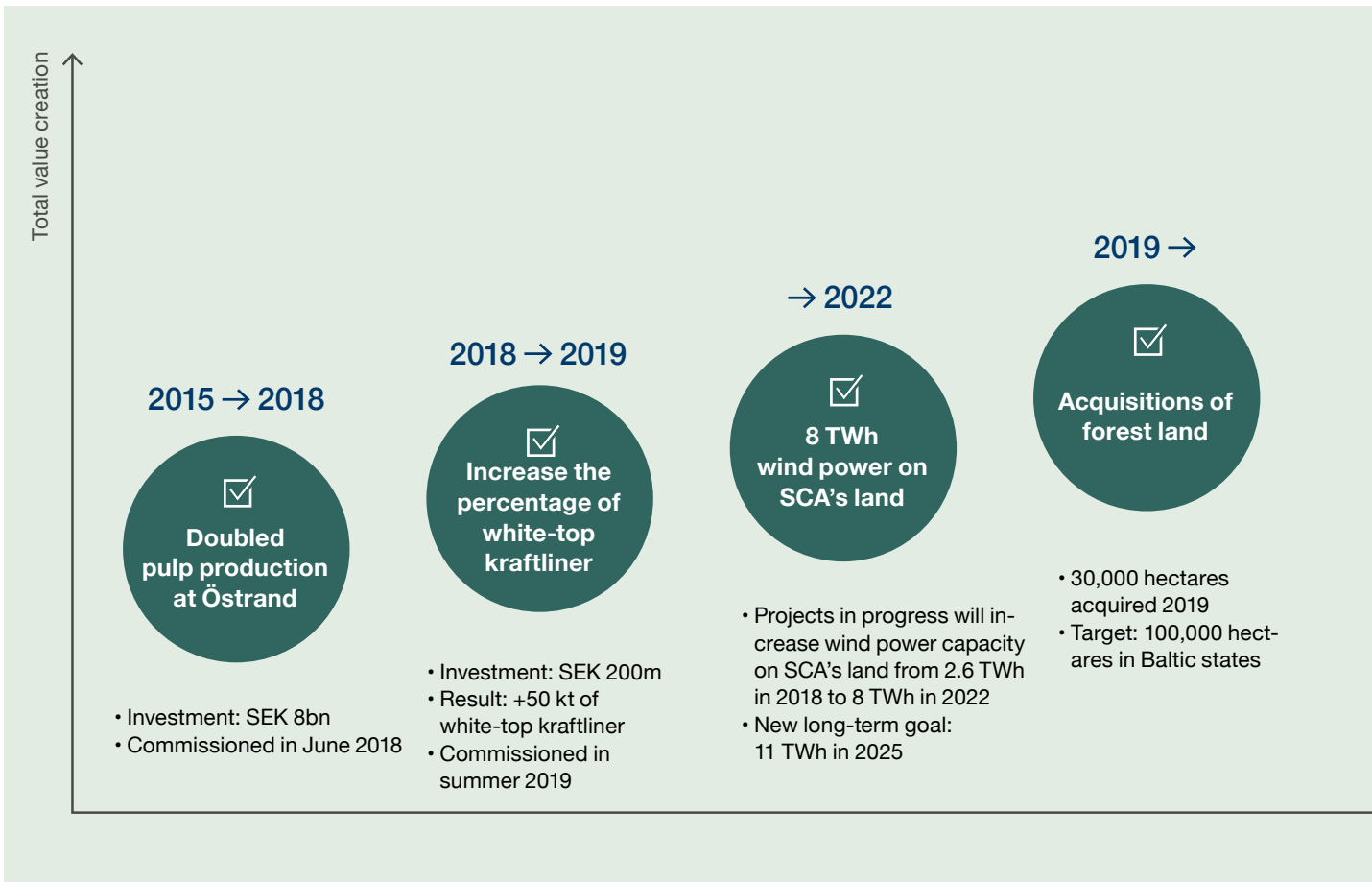
SCA's publication paper mill in Ortviken is competitive, but SCA is aiming to reduce the share of publication paper in its product portfolio in the long term.

◀ SCA uses a sustainable approach in the management of its forests for a high level of timber production.

Strong project portfolio driving profitable growth

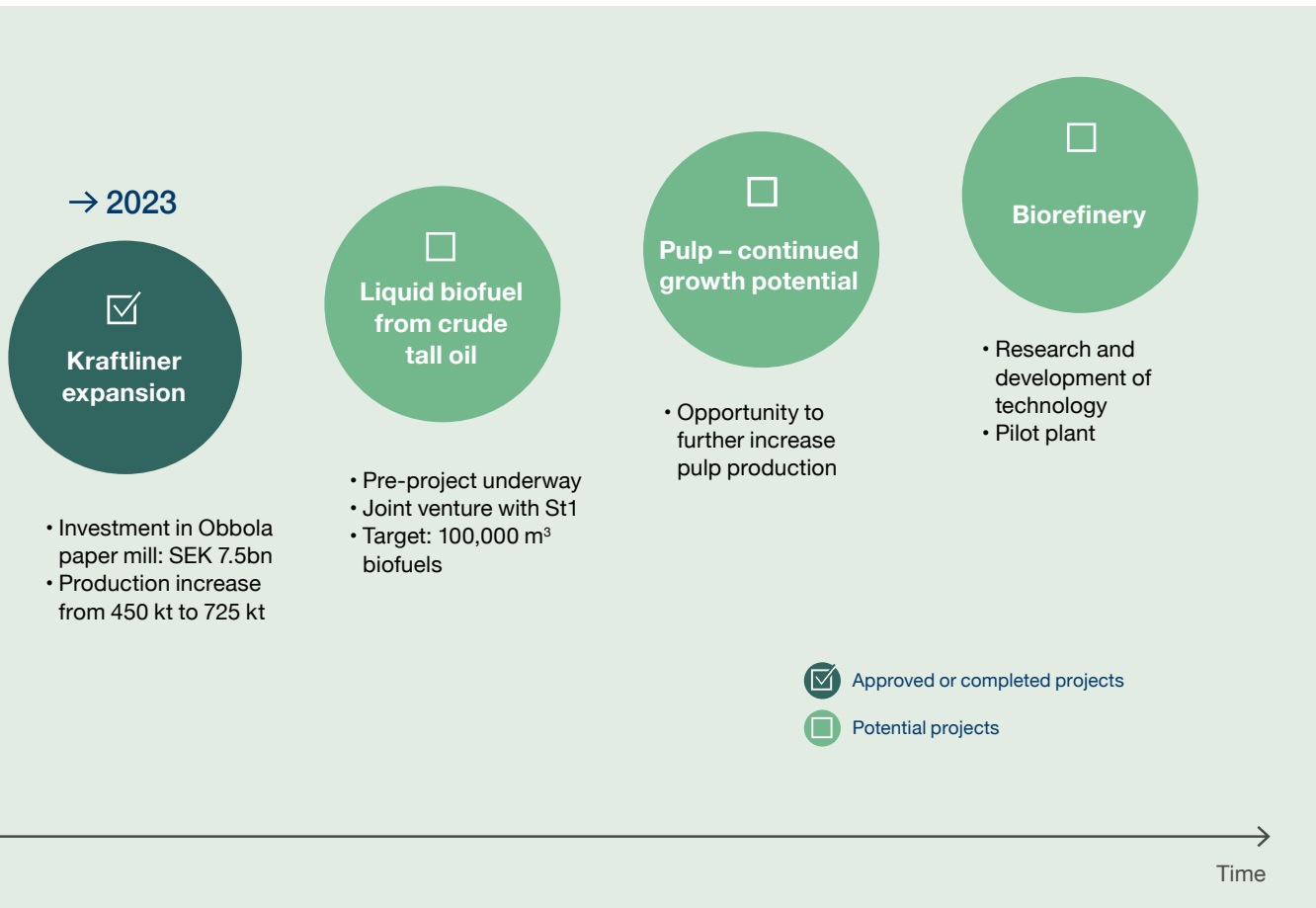
SCA sees significant potential for continued profitable growth. Investments must contribute to SCA's value chain and the continued value generation in and from SCA's forest resource. Projects must also provide favorable returns and ensure that the company retains its healthy balance sheet.

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SCA does not invest in wind power itself but receives a ground lease payment from wind farm owners.



FOREST

Total return from forest creates value

The forest is the source of SCA's value creation. With a forest holding of 2.6 million hectares, an area nearly the size of Belgium, SCA is the largest private forest owner in Europe. The forest is managed responsibly and sustainably to provide the foundation for a sustainable supply of raw materials to the company's industries.

The forest is at the core of SCA's operations

The forest is managed sustainably and creates value through cash flow from harvesting, biological growth and value growth of forest land.

Forest acquisitions in Baltic states

SCA's ambition is to increase its forest holding. In 2019, the company acquired 30,000 hectares of forest land in Estonia and Latvia through three transactions. Compared with SCA's Swedish holding, the acquired forest is younger but production conditions and growth are better as the forest is growing on fertile land and in a warmer climate.

Improved forest management increases growth

Every tree that is harvested, is replaced with at least two new ones. SCA has a tree nursery with the capacity to produce 100 million seedlings per year. Through its use of improved forest management methods – site preparation, planting, control of reforestation and pre-commercial thinning – SCA has increased growth in the forest.

- **Improved seedlings.** By using selective breeding, SCA has developed the next generation of seedlings with 20–25% higher growth rates and better protection against pests.
- **Contorta pine** is a tree species from north-western North America with growth and CO₂ absorption that is around 40% higher compared with Swedish pine trees. Contorta pine is also less affected by damage from grazing and fungus. SCA has planted contorta pine since the early 1970s. The species provides excellent raw materials for pulp production, but also has suitable characteristics for use as raw material for wood products.
- **Fertilizing** forest that is nearing harvesting accelerates growth and yields a significant addition in volume of high-quality timber. Among forest management practices, fertilization is the one that has the fastest effect and highest returns.

Market share and competitors

SCA holds a market share for timber purchasing from private forest owners in Northern Sweden of 35%.

Other players in the timber market in Northern Sweden include:

- Norra (forest-owner association in Norrbotten and Västerbotten)
- Norrskog (forest-owner association in Västernorrland and Jämtland)
- Sveaskog (Swedish state's forestry company)
- Holmen
- BillerudKorsnäs
- Sawmill companies

Laws that govern forest operations and forestry management in Sweden

The Swedish Silviculture Act, has existed in different versions since 1905, includes rules for forest operations must be conducted in Sweden. It states, for example, that reforestation must take place after final harvesting, stipulates limits for the youngest age at which forest can be harvested and includes requirements for consideration for the environment.

The Land Acquisition Act, regulates the acquisition of forest land. The law states that a legal entity may not net acquire forest land from private individuals, but only from other legal entities. The aim of the law is that the legislator wishes that a certain percentage of forest be owned by private individuals.

◀ In 2019, SCA completed the tenth inventory of the company's forests since 1949.



SCA's forestry is certified in accordance with the requirements of the Forest Stewardship Council® (FSC®) and the Programme for the Endorsement of Forest Certification (PEFC™).

Young forest yields high growth

Through its ambitious silvicultural practices, SCA has obtained a high proportion of young forest with high growth. As a result of the young average age of the forest, only approximately 60% of growth is harvested. When the younger forests reach harvestable age in a decade or two, the rate of harvesting can increase. SCA's forest is growing by an average of 10.5 million forest cubic meters per year. Of this, 5.2 million cubic meters is harvested. 1.3 million cubic meters disappear as natural losses, for example felled by storms, insect damage or pre-commercial thinning. The remaining net annual growth is 4.0 million cubic meters, which increases the standing volume and harvesting potential in the future.

Europe's largest private forest holding secures raw material supply

SCA owns 2.6 million hectares of forest land, of which 2.0 million hectares are productive forest land.

About 48% of SCA's raw material needs are provided by wood from the Group's own forests and chips from its own sawmills. Even with the rising raw material needs resulting from the company's growth, SCA has a much higher level of self-sufficiency than comparable forest products companies. The large forest holding provides a reliable supply of raw material, facilitates investments and allows greater flexibility.

Timber purchases from private forest owners

Most of the timber that does not come from SCA's own forest is purchased from private forest owners with holdings in Northern Sweden. With its harvesting and forest management organization that covers Northern Sweden, SCA is an attractive partner for forest owners seeking access to highly competent people and the latest harvesting machines to manage their own forests. Through its competitive industrial operations, SCA secures demand and forest value also for other forest owners. Moreover, SCA's expertise and resources used in its own forests benefit other forest owners. Timber purchasing from private forest owners is supplemented by purchasing from other forest companies and some imports, mainly from the Nordic countries and the Baltic States.

Responsible forestry

SCA's forests are managed sustainably with the aim that they will remain at least as rich in biodiversity, nature experiences and raw material in the future as they are today. Preserving biodiversity, the many species of animals and plants, is one of the most important sustainability targets of SCA's forestry. Forest areas of high conservation value are set aside from harvesting or managed in a way to strengthen the conservation values. Forest is saved in all forestry measures to provide variety and life environments for sensitive animal and plant species.

SCA's forest has been certified since 1999 in accordance with the requirements of the Forest Stewardship Council® (FSC®) (FSC® C004466) and since 2011 also certified in accordance with the Programme for the Endorsement of Forest Certification (PEFC™). Independent auditors verify that SCA's forest operations fulfill the certification requirements. Products based on timber from certified forestry can in turn be certified and offered to customers with stringent demands on sustainability. SCA also encourages its suppliers to certify their forest operations.

Climate benefit and preservation of diversity

Growing trees capture and bind carbon dioxide. SCA's forest has an annual net growth of four million forest cubic meters of timber, which means the forest binds a net of five million tonnes of CO₂. This is five times more than the total CO₂ emissions from fossil based sources in all of SCA's operations, including

the forest operations, industrial production and transportation of raw materials and finished products, as well as input goods. SCA sets aside important habitats for sensitive animal and plant species from forest operations and manages other forests to improve conditions for species with special requirements. At the same time, the company strives to make these set-asides as effective as possible. Growth, meaning binding of CO₂, and renewable raw materials are also important environmental values and SCA attempts to achieve as good a balance as possible between these two goals.

The new forest survey shows greater standing volume and growth in SCA's forests

SCA performed a new forest survey in 2019. According to the new inventory, SCA's standing volume in Sweden is estimated at 249 million m³fo as of December 31, 2019. This compares with the previous survey from 2012–2013 that indicated standing volume of 238 million m³fo at the end of 2019. Of the 11 million m³fo increase, about 6 million m³fo is related to higher than expected growth during the period between surveys (six years) and about 5 million m³fo is related to better data measurement compared with the previous survey.

The annual net growth amounted to approximately 10.5 million m³fo, 1 million m³fo higher than the estimate in the previous survey of about 9.5 million m³fo. Net growth amounted to approximately 4.0 million m³fo, compared with the previous estimate for net growth of about 3.0 million m³fo.

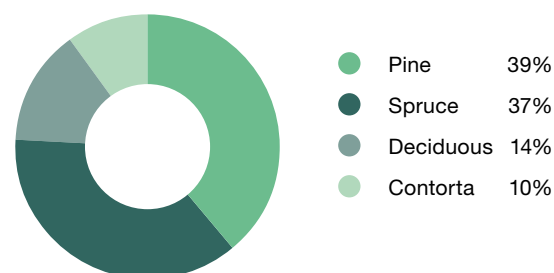
Together with 3 million m³fo of forest in the Baltic states, SCA's total standing volume amounts to approximately 252 million m³fo.

Growth in SCA's forest in 2019¹⁾

	Million m ³ fo	%
Opening volume, 2019	245	
Gross forest growth	10.5	4.3%
Natural losses and pre-commercial thinning	-1.3	-0.5%
Available growth	9.2	3.8%
Harvesting	-5.2	-2.1%
Net forest growth	4.0	1.6%
<hr/>		
Closing volume Sweden, 2019	249	
Acquisitions in Baltic states	3.2	
Closing volume, 2019	252	

1) Measured timber volume and growth in the forest survey performed in 2019.

Forest portfolio (volume)





About 160 harvesting teams with harvesters and forwarders work for SCA. The vast majority are contractors.

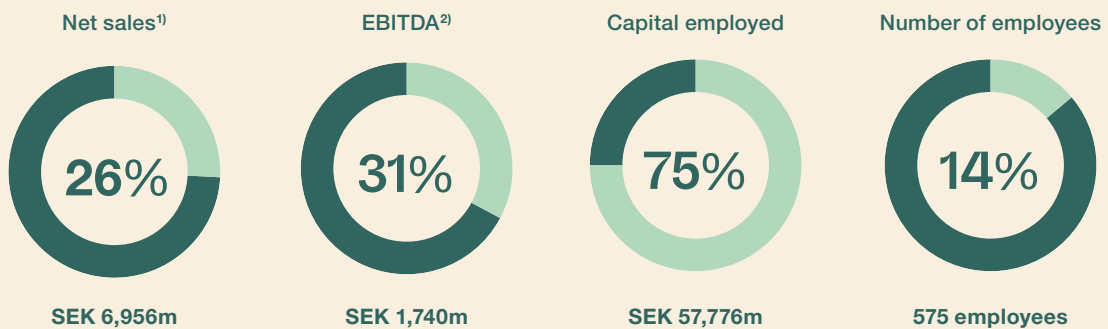
Strategy

- Increase growth and harvesting
- Acquire forest land
- Optimize nature conservation

Financial key figures

SEKm	2019	2018
Net sales	6,956	5,455
EBITDA	1,740	1,394
EBITDA margin	25.0%	25.6%
Operating cash flow	532	236
Strategic capital expenditures	-	-
Capital employed	57,776	27,861
Return on capital employed	4.4%	4.7%
Harvesting of own forest, thousand m ³ sub	4,419	4,311
Average number of employees	575	506

Share of Group 2019



1) Before elimination of intra-Group sales
 2) Share calculated of total EBITDA, excluding central items

Valuing forest land

Forest assets

In light of the price level of forest land in a number of large and recently completed forest land transactions, SCA has reviewed the method and assumptions for valuation of the company's forest assets in its balance sheet. The review shows that a large number of forest transactions take place in areas where SCA owns forest assets, that the value of larger forest assets is generally in line with the values of smaller and mid-sized forest assets, and that the value is significantly higher than the previous carrying amount.

At December 31, 2019, SCA changed its accounting method for valuing the company's forest assets so that the value is based on transactions in areas where SCA owns forest land in Sweden. Market prices amount to an average of SEK 276/m³fo and SCA's standing volume in Sweden is estimated at 249 million m³fo according to the new forest survey. Based on this, SCA's forest assets in Sweden were valued at approximately SEK 69bn at December 31, 2019. In addition, SCA owns forest assets in the Baltic states with a value of approximately SEK 1bn. This compares with the previous carrying amount of the forest assets of approximately SEK 34bn.

Some 300 forest land transactions take place in Northern Sweden each year, providing reliable market valuations for forest land. A number of large forest transactions have taken place in SCA's region. AMF acquired Bergvik Öst, Holmen acquired Långvind and Södra acquired Bergvik Lettland. These transactions show that the value of large forest transactions is

generally in line with the value of smaller and mid-sized forest transactions.

LRF Konsult is one of the main intermediaries and provider of market statistics and according to LRF Konsult, the average price in SCA's region, Northern Sweden, was approximately SEK 273 per m³fo standing timber in 2019.

SCA's purchases and divestments of forest land in Sweden

Purchase	2015	2016	2017	2018	2019
Volume, thousand m ³ fo	185	123	261	197	429
Price, SEK/m ³ fo	273	263	259	286	334

Divestment	2015	2016	2017	2018	2019
Volume, thousand m ³ fo	270	176	385	192	959
Price, SEK/m ³ fo	310	274	270	268	264

Market statistics according to LRF Konsult

Forest land prices in Northern Sweden	2015	2016	2017	2018	2019
Price, SEK/m ³ fo	263	256	283	273	273

Total return from forest land – 10% per year since 1956

Forest assets are becoming increasingly important. Demand for products based on renewable fiber is growing faster than the harvesting potential. The forest also has a crucial role in efforts to combat climate change, partly because growing forests bind carbon dioxide, and partly because renewable raw materials from the forest replace fossil-based alternatives.

The forest creates value in three ways: cash flow from harvesting, biological growth and value growth of forest land.

• **Harvesting.** Harvesting provides raw materials to the industries and generates cash flow. The harvesting volume is determined so it never exceeds future growth and is therefore never reduced. This sustainable strategy and improved approach to forest management has enabled harvesting volume to double since 1956.

• **Net growth.** Forest growth currently exceeds harvesting by 4 million cubic meters per year. Standing volume, which is the volume of the growing trees, has increased by more than 50% since 1956. The larger standing volume allows for a higher level of harvesting and an increase in cash flow going forward.

• **Land value.** The value of forest land in Northern Sweden has risen by about 200% in real terms and 4,000% in nominal terms since 1956, according to an estimate by Lantmäteriet.

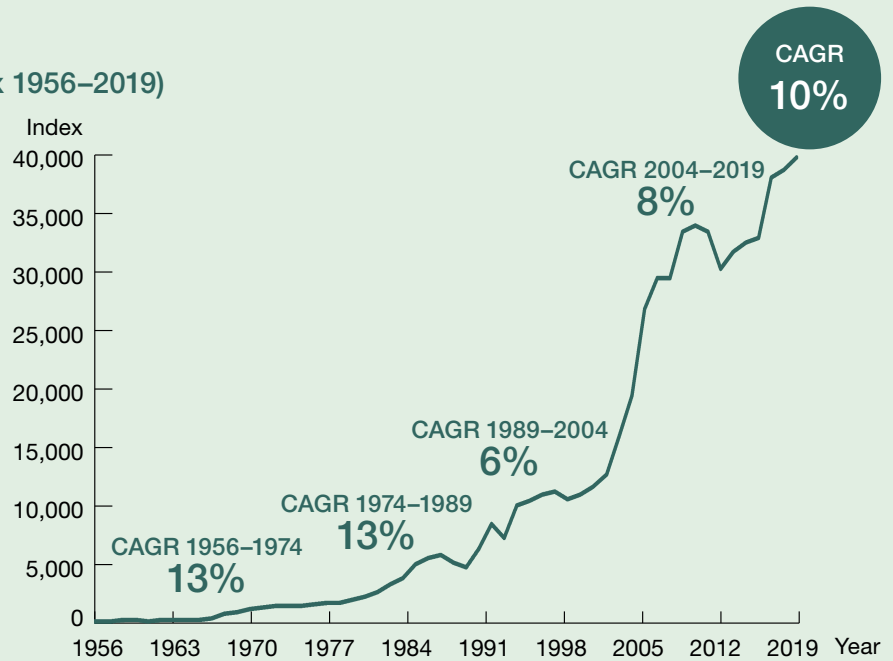
Taken together, these three value streams have generated a total return from SCA's forest assets of approximately 10% per year since 1956. As there is a limited supply of forest land, SCA expects the value of forest as a strategic resource to continue to grow due to the need to shift from finite to renewable resources. SCA will therefore continue to invest in forest asset, both to increase growth in existing holdings and to increase the area.

The forest creates value in several ways



Total return SCA's forest (index 1956–2019)

- Harvesting**
– increasing cash flow
 - Cash flow: ~3% annual growth
- Net growth**
– growing asset base
 - Standing volume: ~1% annual growth
- Rising land value**
 - Land value (SEK/m³): ~6% annual growth



Source: The Swedish National Forest Inventory, the Swedish Forest Agency, LRF Konsult, the National Land Survey, Svefa, FutureVistas
 Note: Cash flow is reinvested in forest
 CAGR: Compound Annual Growth Rate

WOOD

Driving the value growth of the forest

SCA manufactures processed wood products for the European building materials trade, and for wood industries around the world. For forest owners, a competitive and profitable sawmill industry is of the utmost importance. It accounts for about 70% of income to forest owners.

SCA operates five sawmills closely connected to the forest raw material base, as well as processing facilities in Sweden and the UK. The sawmills are well-invested and are among the largest in Europe with an annual capacity of 2.2 million m³ solid-wood products. They have a high degree of automation and use x-ray technology to maximize the yield from every log. The technology means the sawmills can sort, select and adjust the log to suit the requirements of the end product.

SCA also operates planing mills, painting facilities, impregnation and further processing of by-products as well as distribution to the building materials trade.

Profitable growth with a focus on value-added products

The slow-growing wood from Northern Sweden has a high proportion of heartwood and small knots, making it suitable for visible wood applications, interior use and products subject to high standards, such as windows. SCA has chosen to focus on two customer segments that suit these characteristics and that offer the best prospects for profitable growth.

- **Wood industry.** As supplier to the wood processing industry, SCA manufactures customized products and components suitable for further processing by customers. Customers are mainly manufacturers of furniture, doors, windows, flooring and roofs.
- **Building materials trade.** For the building materials trade, SCA delivers processed products, ready to be offered to consumers, and advanced distribution solutions. SCA combines its own products with purchases from other suppliers in order to offer a complete range of products. Customers mainly include building materials chains in Scandinavia, the UK and France and the products are used by both professionals and by DIY enthusiasts.

This focus has enabled SCA to achieve higher and more stable margins over a business cycle and it has delivered profitable growth of about 10% per year over the past 20 years.

Market share and competitors

SCA's share of the European market for softwood solid-wood products is 2%. The market is characterized by a large number of mid-sized and small suppliers targeting different products and geographic markets.

Other main wood product suppliers in Europe:

- Stora Enso
- Binderholz & Klenk Holz
- Pfeifer Holz
- Moelven

Innovative solutions

The wood industry and building materials trade require innovative products that drive sales growth. Thanks to high-quality raw materials, x-ray technology and process control, SCA can offer its customers products such as heartwood pine decking. This is as resilient as pressure-impregnated timber, but is manufactured without the use of chemicals. Another new product in the building materials industry is SCA's semi-finished cladding with concealed fittings, which provide a more attractive façade, easier assembly and greater sustainability.

◀ SCA offers for outdoor use both impregnated products and untreated heartwood pine decking.

Increased competitiveness

SCA is investing approximately SEK 600m in a new dry sorting line at Bollsta sawmill, where timber is cut prior to delivery. The dry sorting line will replace two older units and result in higher and more efficient production. Bollsta sawmill is already SCA's largest and one of Europe's most efficient sawmills and will now further enhance its competitiveness.

Expansion in France

In 2019, SCA merged its wood operations in France, including further processing and distribution, with the French company Groupe ISB. With its 38.5% holding in the company, SCA will be its largest owner. Groupe ISB is France's largest supplier of wood-based products to the French building materials trade.

Market trends

Global demand is on the increase for renewable materials as is interest in constructing housing in wood. Demand for wood products has noted annual growth of between 2% and 3% in recent years. In 2019, demand in Europe for spruce products grew 5%, while demand for pine products declined 2%. The market was characterized by a high level of supply and lower growth in new residential production. Demand growth in the US levelled out, but at a high level. In Europe, demand for solid-wood products remained high, though prices declined, partly due to a plentiful supply of low-quality spruce products made from insect-damaged timber.

Sawmills

Munksund, Piteå

Capacity: 420,000 m³/year

Rundvik, Nordmaling

Capacity: 330,000 m³/year

Bollsta, Kramfors

Capacity: 560,000 m³/year

Tunadal, Sundsvall

Capacity: 540,000 m³/year

Gällö, Bräcke

Capacity: 330,000 m³/year

Wood processing and distribution

Planned products capacity:

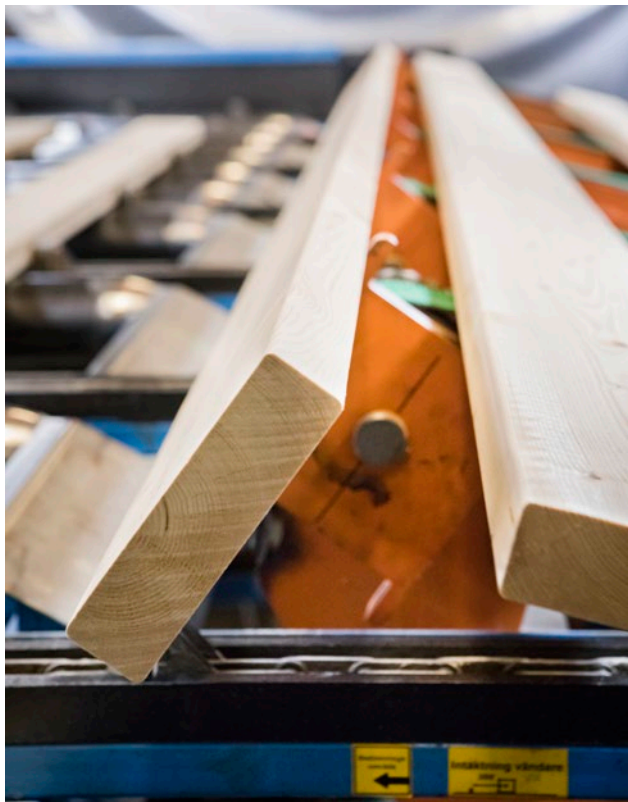
600,000 m³/year

Window component capacity:

5 million linear meters/year

Distribution to building materials trade:

Scandinavia | UK | France



SCA's sawmills are well-invested and use x-ray and camera technology.



SCA offers value-added wood products, such as pre-painted exterior cladding.

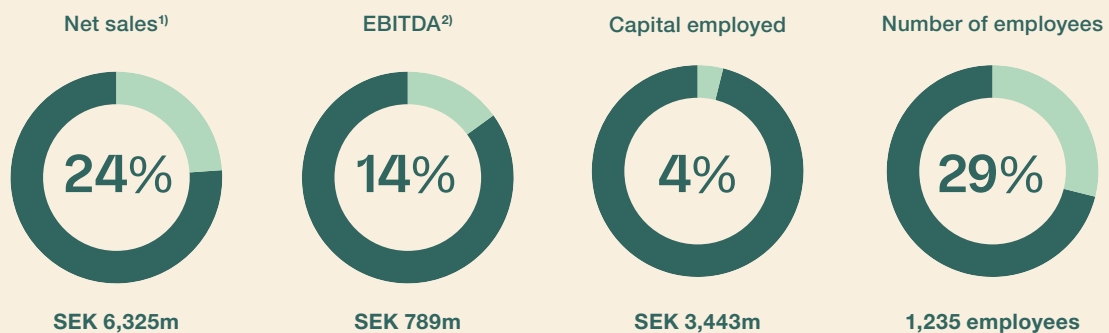
Strategy

- Strengthen SCA's integrated value chain – sawlogs generate the largest revenue share from a tree.
- Continued profitable growth through:
 - Volume growth in Bollsta and Tunadal
 - Value-added and customized products
- Production optimization to achieve the highest level of efficiency

Financial key figures

SEKm	2019	2018
Net sales	6,325	6,618
EBITDA	789	904
EBITDA margin	12.5%	13.7%
Operating cash flow	681	460
Strategic capital expenditures	1	2
Capital employed	3,443	3,216
Return on capital employed	14.6%	22.0%
Deliveries, wood products, thousand m ³	2,506	2,520
Average number of employees	1,235	1,294

SHARE OF GROUP 2019



1) Before elimination of intra-Group sales

2) Share calculated of total EBITDA, excluding central items

PULP

Ramped up to optimal performance

SCA ANNUAL REPORT 2019



The investment in the Östrand pulp mill has doubled production capacity. The plant is now industry-leading in terms of quality, cost efficiency and environmental performance.

Investment to double capacity and increased competitiveness

The expanded Östrand mill began operating, as planned, in June 2018. The investment of almost SEK 8bn was financed from operating cash flow. It has doubled the annual production capacity of bleached softwood kraft pulp (NBSK) from 430,000 tonnes to about 900,000 tonnes.

In 2019, the mill has been ramping up to full production. Following a planned maintenance stop at the end of the year, the mill has achieved a stable and good level of production and high product quality in terms of purity, brightness and strength. Östrand has thereby achieved a leading cost position.

Softwood kraft pulp provides strength

Softwood kraft pulp made with wood fiber from Northern Sweden produces a pulp that is in demand for its strength. In publication paper, it can be combined with mechanical pulp or pulp made from recovered fiber. In tissue, it is often combined with pulp based on deciduous trees, such as birch or eucalyptus. Different pulps contribute different qualities to the paper. Since softwood kraft pulp contributes strength, it cannot be easily replaced with pulp from another source and with different qualities.

Renewable energy and green chemicals

After its expansion, the Östrand pulp mill has considerably improved its energy efficiency. The mill meets all of its electricity and heating needs with its own energy production. In addition, it delivers about 0.5 TWh of green electricity to the grid and some 0.2 TWh of heat to the district heating grids in Sundsvall and Timrå.

The Östrand mill also produces by-products, such as tall oil and turpentine. Tall oil is used as a raw material in biofuels, while turpentine is used as a raw material in cosmetics.

Östrand also produces approximately 100,000 tonnes of chemically pre-treated mechanical pulp (CTMP) for packaging and hygiene products.

Market share and competitors

SCA's share of the global market for bleached softwood kraft pulp (NBSK) is 5%.

The main competitors are:

- Metsä
- Mercer
- Paper Excellence
- Södra
- Ilim/International Paper

◀ Östrand is now one of the world's most competitive producers of bleached softwood kraft pulp.

Opportunity for additional capacity

The expansion has created the potential to further increase production by removing bottlenecks and through minor supplementary investments. A platform has also been created to build a biorefinery at the pulp mill.

Market trends

Demand for bleached softwood kraft pulp has grown by about 2% to 3% per year over time. In 2019, global deliveries of bleached softwood kraft pulp grew 5%. This growth is fueled by an expanding global market for tissue and packaging. During 2019, the pulp market worsened, particularly in the important Chinese market, influenced by a slowing global economy and turbulence in world trade.

Östrand pulp mill, Timrå

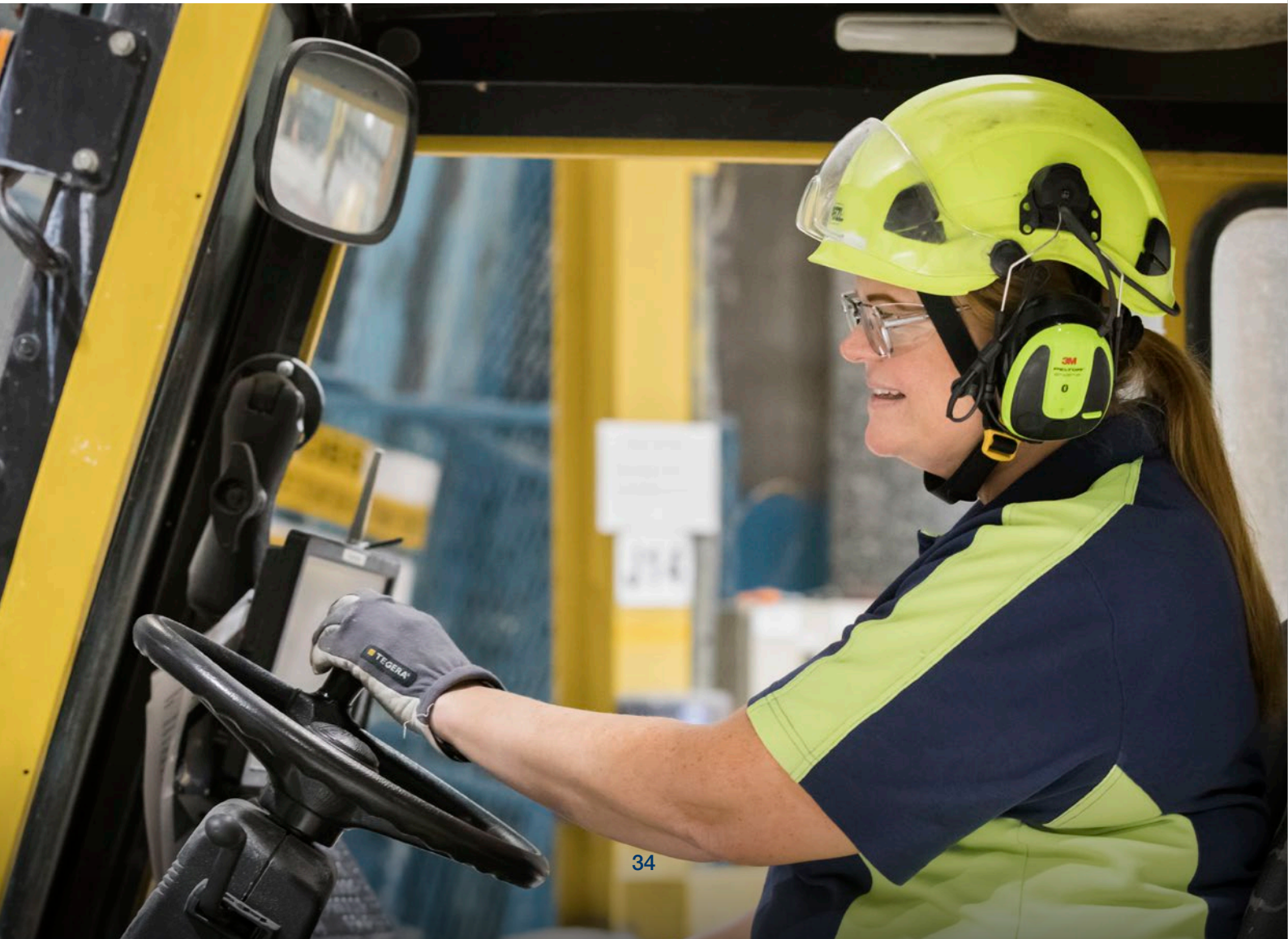
Production capacity:

Bleached softwood kraft pulp (NBSK): 900,000 tonnes/year. The pulp is used in, for example, tissue, packaging, publication paper and filters.

Chemical thermomechanical pulp (CTMP): 100,000 tonnes/year. The pulp is used in, for example, packaging and hygiene products.

Green electricity: 1.2 TWh/year at full pulp production capacity

SCA endeavors to provide a good, safe and secure work environment to all employees.



SCA has a particular focus on pulp for tissue production, a growing market.



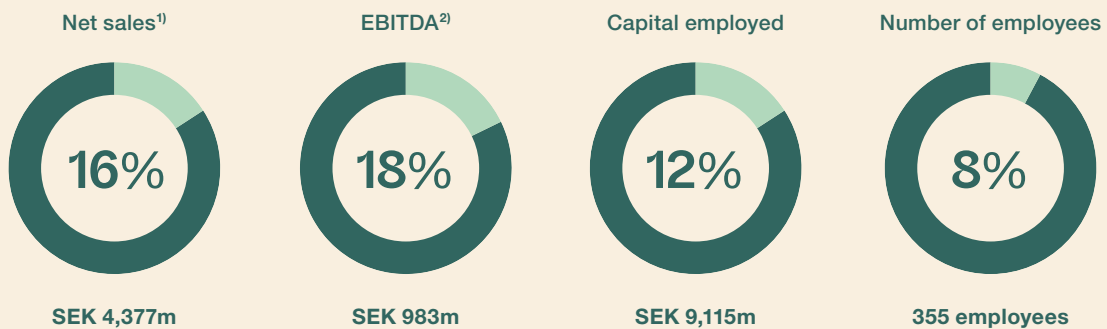
Strategy

- To be trimmed to optimal performance
- Focus on products that require strength
- Improve processes and eliminate bottlenecks to further increase capacity
- Take advantage of the potential for green energy offered by the new plant

Financial key figures

SEKm	2019	2018
Net sales	4,377	2,866
EBITDA	983	709
EBITDA margin	22.5%	24.7%
Operating cash flow	716	137
Strategic capital expenditures	347	1,904
Capital employed	9,115	8,998
Return on capital employed	4.9%	7.3%
Deliveries, pulp, thousand tonnes	741	425
Average number of employees	355	385

SHARE OF GROUP 2019

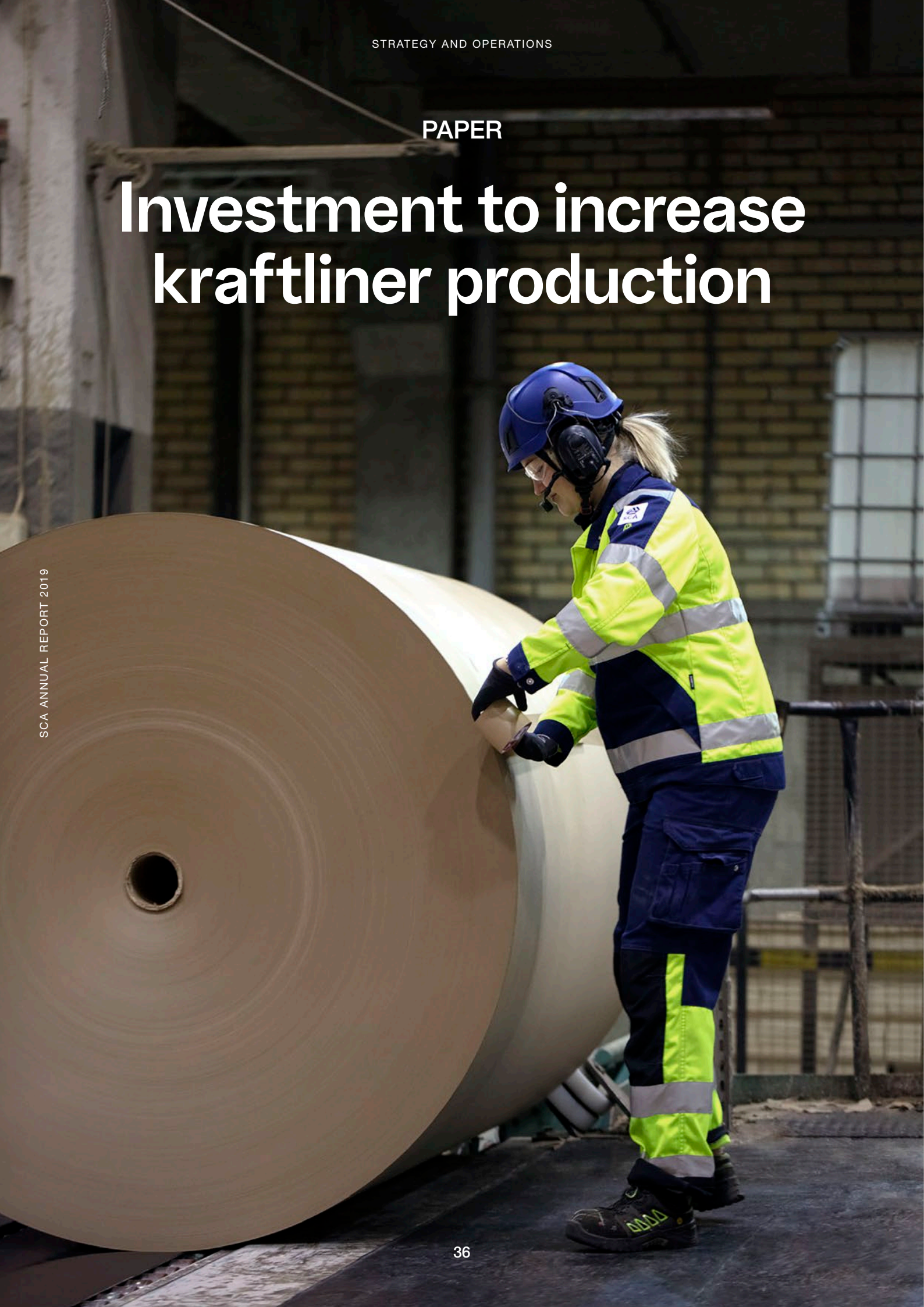


1) Before elimination of intra-Group sales
 2) Share calculated of total EBITDA, excluding central items

PAPER

Investment to increase kraftliner production

SCA ANNUAL REPORT 2019



SCA manufactures kraftliner – packaging paper – and publication paper. Kraftliner is a strategic growth area with favorable long-term trends. The focus for publication paper is on maximizing cash flow through specialization and innovation.

Kraftliner – strategic growth area

Investment in new paper machine

Kraftliner is a fresh fiber-based packaging paper that is used to manufacture corrugated board packaging, where kraftliner is used for the outer layer of the corrugated board. SCA produces kraftliner at the Munksund paper mill in Piteå and the Obbola paper mill in Umeå.

In September 2019, SCA approved an investment of SEK 7.5bn in the Obbola paper mill. The investment includes a new paper machine and a production increase for kraftliner from 450,000 tonnes currently to 725,000 tonnes. The new paper machine will begin operation in 2023 and during the investment period production will continue as normal. The investment will be financed using operating cash flow, complemented with the Group's normal financing sources.

Investment in five points:

- Favorable trends driving long-term market growth
- Modern facility secures long-term competitiveness
- Full production during construction period generates cash flow
- Step toward a fossil-free society
- Profitable growth

Leading kraftliner producer

SCA is a leading producer of kraftliner, being the third largest in Europe and the largest independent supplier. The product portfolio includes a range of specialty products, such as kraftliner with a white printable surface (white-top) and wet-strength kraftliner. Wet-strength kraftliner is used for packaging with particularly high demands, for example packaging for food or heavy goods. The slow-growing wood raw material from Northern Sweden provides strength and is well suited for material-efficient packaging of high quality. The key markets are the Nordic region, Germany and the UK.

In 2019, production of white-top kraftliner at the Munksund paper mill increased following an investment of SEK 200m. The investment was completed on budget and on time and without any serious incidents.

◀ Kraftliner forms the outer layer of corrugated board packaging. SCA offers a wide range of grammages and grades.

Market share and competitors

Kraftliner

SCA's share of the market for kraftliner in Europe is 12%.

SCA's competitors are:

- Smurfit-Kappa
- Mondi
- Metsä

Publication paper

SCA's share of the European market for wood-containing publication paper is 4%.

SCA's competitors are:

- UPM
- Stora Enso
- Norske Skog
- Holmen

Market trends

The kraftliner market continues to grow. Population growth and other global megatrends are driving world trade and demand for packaging paper. The expanding e-commerce and the transition from plastic packaging to renewable materials is also boosting demand for high-quality packaging paper. Demands on food safety standards and retail-ready packaging, which can be displayed directly in stores, are increasing interest in fresh fiber-based packaging without chemicals, with high printability and strength. Market prices for kraftliner declined during 2019 due to a slowdown in the global demand. Toward the end of the year, however, demand improved and inventory levels declined.

Publication paper – maximize cash flow

Competitive publication paper mill

Ortviken is the world's third largest and one of the world's most production-efficient publication paper mills. The mill manufactures coated and uncoated publication paper for magazines, catalogs and commercial print for media companies in Europe.

Innovation for upgrading the product portfolio

SCA's focus for publication paper is on maximizing cash flow through product quality and production efficiency, as well as through limited targeted investments. With a high pace of innovation, the portfolio is upgraded with high-quality products. Ortviken is focusing on niches with stronger demand and is developing new cost-efficient paper products that compete with fine paper. About 35% of sales comprises products launched over the past five years.

Market trends

Publication paper is a structurally declining market that in recent years has decreased by about 5% per year. In the beginning of 2019, the market noted a temporary improvement as capacity reductions among publication paper producers have created a better balance between supply and demand for both coated and uncoated publication paper. However, toward the end of the year the market continued to weaken. During the second half of 2019, demand slowed and market prices decreased.

Kraftliner

Obbola, Umeå

Production capacity: 450,000 tonnes/year

Product range: brown kraftliner, for consumer and transport packaging with a focus on standard grades, including lightweight grades.

Munksund, Piteå

Production capacity: 415,000 tonnes/year

Product range: brown and white-top kraftliner, for consumer and transport packaging. Specialized in heavy-duty, wet-strength and white-top grades.

Publication paper

Ortviken, Sundsvall

Production capacity: 775,000 tonnes/year

Product range: Light weight coated (LWC) and uncoated publication paper used for magazines, brochures, catalogs and other printed matter with high and specific demands on quality and performance.



SCA develops paper with good printability and that can successfully compete with fine paper.

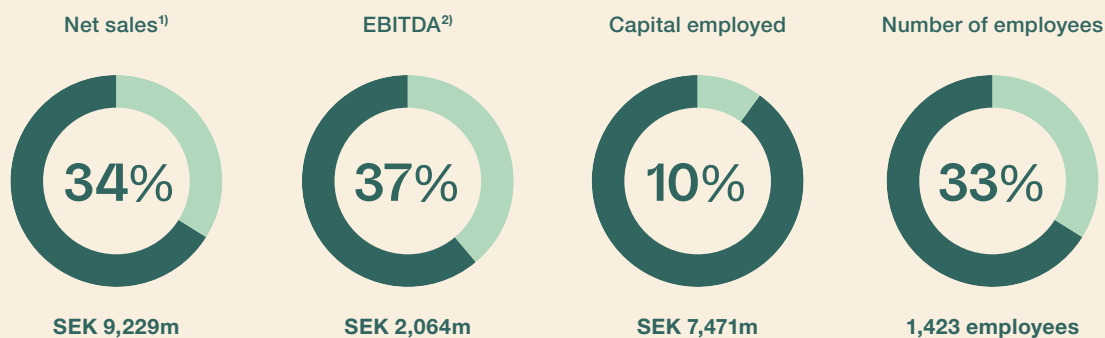
Strategy

- Implement decided investment to increase kraftliner production at Obbola paper mill
- Continue to invest in specialty products, such as white-top and wet-strength kraftliner
- Maximize cash flow in publication paper by optimizing processes and the product and market mix

Financial key figures

SEKm	2019	2018
Net sales	9,229	9,643
EBITDA	2,064	2,468
EBITDA margin	22.4%	25.6%
Operating cash flow	1,461	2,167
Strategic capital expenditures	903	45
Capital employed	7,471	6,412
Return on capital employed	21.8%	30.8%
Deliveries, kraftliner, thousand tonnes	812	805
Deliveries, publication paper, thousand tonnes	688	722
Average number of employees	1,423	1,404

SHARE OF GROUP 2019



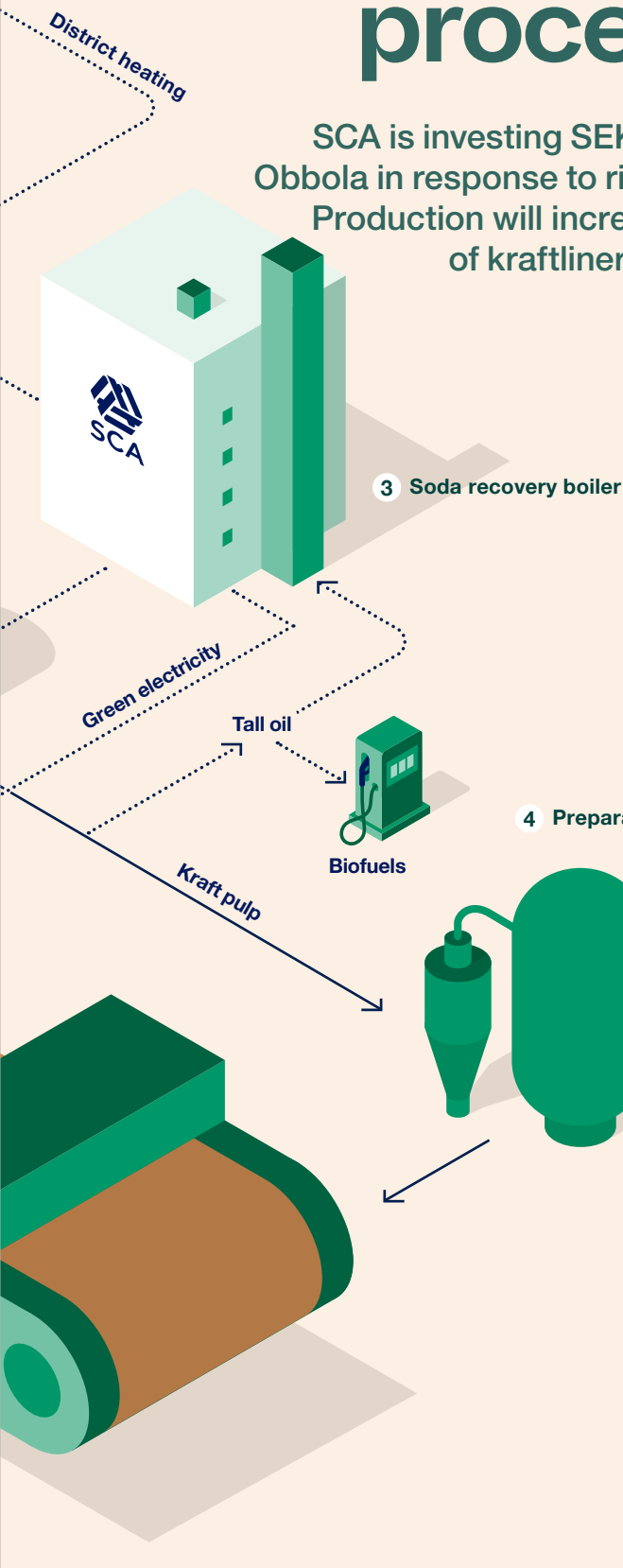
1) Before elimination of intra-Group sales
 2) Share calculated of total EBITDA, excluding central items



- | | |
|--|--|
| <ol style="list-style-type: none"> 1. The wood is debarked and chopped into chips. 2. The chips are cooked with chemicals to separate the cellulose from other wood materials 3. The black liquor – the wood material that is not cellulose and chemicals – is burned in the soda recovery boiler, where steam and electricity are produced while the chemicals are recycled. | <ol style="list-style-type: none"> 4. The kraft pulp, to which a proportion of recovered fiber is added for some grades, is prepared before it is transferred to the paper machine. 5. The pulp is sprayed onto a wire cloth where the water is quickly drained. The pulp forms a sheet that is pressed and dried before being rolled onto a large reel known as a tambour. 6. The paper is trimmed to the size specified by the customer, packaged and sent for shipping to customers. |
|--|--|

New kraftliner machine with unique process control

SCA is investing SEK 7.5bn in a new kraftliner machine in Obbola in response to rising demand for sustainable packaging. Production will increase from the current 450,000 tonnes of kraftliner to 725,000 tonnes per year.



Kraftliner is manufactured from fresh wood fiber. Chips from sawmills and pulpwood are cooked with chemicals to make kraft pulp. For some qualities, recovered fiber is added to the kraft pulp.

In the paper machine, the pulp is sprayed onto a wire cloth where water is quickly drained and the cellulose fibers form a sheet of paper, which is then pressed and dried. The large reel of paper manufactured in the paper machine, the tambour, is then divided into reels of varying widths and sizes as specified by the customers.

The paper machine that SCA is now building in Obbola will be a leader in terms of production economy and product quality. The paper will be manufactured in three layers, which offers unique opportunities to customize paper properties to comply with customer demands.

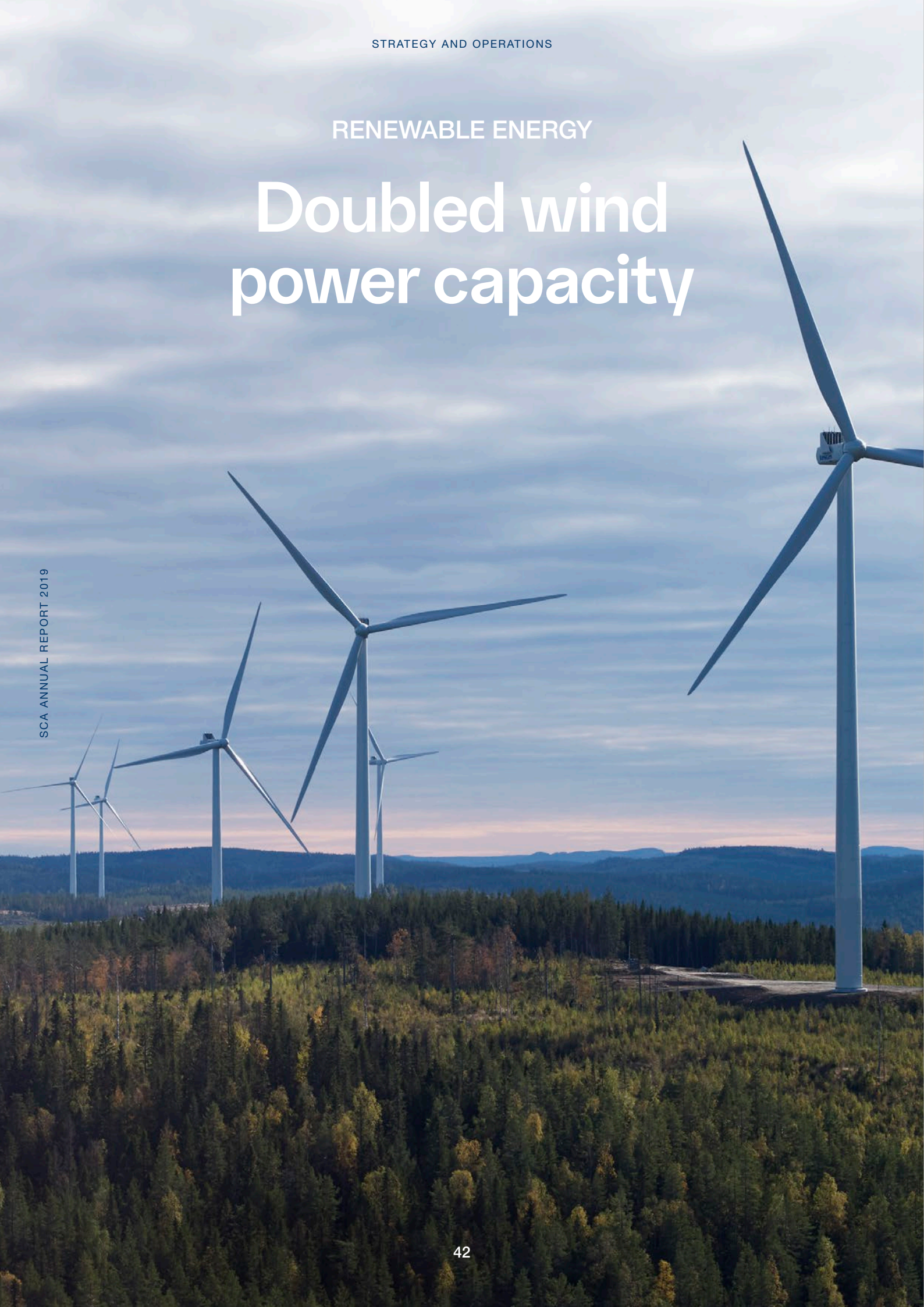
The new paper machine will be assembled parallel to the current paper machine, in a new building. Production will continue until the new machine is ready to begin operation in 2023, when production will shift from the old to the new paper machine.

The total investment of SEK 7.5bn includes environmental investments of approximately SEK 1bn, which, for example, reduces the need for oil by 8,000 cubic meters per year and improves the water treatment capacity.

RENEWABLE ENERGY

Doubled wind power capacity

SCA ANNUAL REPORT 2019



SCA's forest assets and industrial operations provide the company with significant potential to develop new business opportunities in the field of renewable energy. Greater value creation from by-products from the forest and industry create conditions for profitable and sustainable growth.

Doubling wind power production provides SCA with increased ground lease payments

As Europe's largest private forest owner, SCA owns large areas of forest land with favorable wind conditions. A significant expansion of wind power is currently taking place. At the end of 2019, the capacity for wind power production on SCA's land was 4.4 TWh per year. By the end of 2022, capacity will have risen to 8 TWh per year. This means the percentage of Sweden's wind power capacity on SCA's land will grow to more than 20%.

SCA prepares and develops wind power projects for investors who are interested in investing in green energy. As land owner, SCA receives a ground lease payment based on revenue from the sale of the green electricity produced. One example is the wind farm in Storflötten and Länsterhöjden, west of Ånge, where SCA brought together financing from the Green Investment Group, the developer and operator Siemens Gamesa and the electricity customer Norsk Hydro in a transaction where the wind farm's entire production for its total service life was sold before construction began on the wind farm.

SCA has a long-term goal that wind power production on the company's own land will amount to 11 TWh in 2025, equivalent to the electrification of all passenger cars in Sweden.

Leading supplier of biofuels

All timber that can be sawn is used for solid-wood products. The wood raw material that cannot be used for wood products is used to produce paper and pulp. The by-products from forest operations and industry that are not suitable for use as fresh fiber are used in energy production. A large proportion of bioenergy is used at SCA's own plants and contributes toward SCA's very small carbon footprint.

SCA produced 11.9 TWh of bioenergy in 2019. 10 TWh was used in SCA's own plants and 1.9 TWh was delivered to external customers. Of the external deliveries, 1.1 TWh was unprocessed biofuels and 0.8 TWh was processed biofuels, meaning wood pellets. SCA's production capacity at fully or partially owned plants is 300,000 tonnes of pellets per year.

Biofuels and green chemicals

The higher production at the expanded mill in Östrand will also increase the production of tall oil, a by-product from pulp production. SCA and the Finnish energy company St1 have initiated cooperation to assess the investment in a facility to produce liquid biofuel at St1's refinery in Gothenburg. The investment could yield annual production of 100,000 m³ of liquid biofuel, equivalent to about 1% of Sweden's total fuel needs. The evaluation is expected to be completed in 2020.

SCA has begun an environmental assessment of a possible biorefinery at the Östrand pulp mill. The company is evaluating the potential to manufacture liquid biofuel from black liquor, a by-product from pulp manufacturing. SCA's proprietary process is being assessed in a pilot plant at the Obbola paper mill. SCA is also evaluating the potential to produce liquid biofuel from solid biomass, such as sawdust. Both projects can utilize the industrial infrastructure available at the Östrand pulp mill and the by-products generated by SCA's industrial production. SCA has a long-term goal to manufacture liquid biofuel from forest by-products of 260,000 m³, a volume corresponding to all fuel used in domestic flights in Sweden.

Strategy

- Maximize wind power on SCA's land and develop viable projects for investors
- Optimize production, product portfolio and profitability in the biofuel business
- Commercialize business opportunities for liquid biofuels

◀ A significant expansion of wind power is currently taking place on SCA's land.

LOGISTICS

Efficient transportation of raw material and products



SCA ANNUAL REPORT 2019

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Logistics is a central part of SCA's operations. Forest raw materials are shipped to industrial facilities and products are delivered to customers worldwide. SCA's logistics system is customized based on the needs of the company, thereby maximizing the benefit to the other operations and the environment.

The forest industry is a logistics-intensive industry. Logistics accounts for about 20% of SCA's cost base. To optimize freight flows, SCA has set up its own logistics system in both raw material supply and the distribution of finished products. Within forest operations, SCA is one of Sweden's largest users of rail transport, with its own transport system from inland forests to industries on the coast.

Raw-material transportation

Timber is taken from forests throughout Northern Sweden. All timber transportation starts on trucks. If the distance to the industry is short, the timber is driven directly by truck. If the distance is further than about 100 kilometers, the timber is driven to a rail terminal and then transported to the industry by rail.

The increased timber requirement of the expanded pulp mill in Östrand will to a large extent be delivered by rail. Timber can also be transported from Southern and Central Sweden at a competitive cost by using efficient rail transportation.

Efficient road transportation is economic and environmentally friendly. 74-tonne timber trucks are now permitted on Swedish roads. These trucks can transport 30% more timber at the same time as reducing environmental impact. A limited but growing part of the road network in Northern Sweden is available for 74-tonne trucks, but SCA is working to make a greater number of roads available for these more efficient trucks. SCA exchanges timber with other forest products companies to reduce transport distances to industry and thereby reduce costs and emissions as much as possible.

Delivery of finished products

Most of SCA's product transportation uses ships. SCA owns three RoRo vessels. These operate scheduled services and timetables between SCA's terminals in Umeå, Sundsvall, Kiel, and Sheerness near London, as well as to other terminals. The use of this transportation system enables SCA to maintain a high level of customer service at low transport cost and environmental impact.

In 2019, SCA sold its terminal in Rotterdam to the Dutch logistics company Matrans Holding, which will continue to provide logistics services to SCA.

For all inter-continental freight and a growing share of European deliveries, cargo is transported in containers on container ships. Container freight is shipped from SCA's terminals in Sweden to terminals on the continent, for onward transport by truck, train or barge or alternatively when shipping to other continents by larger container ships. In Sundsvall, SCA is preparing to extend the Port of Tunadal with a container terminal.

To optimize capacity utilization, SCA offers cost-efficient logistics solutions for external customers. Both RoRo and container ships are used to ship freight northwards from terminals on the continent. These deliver, for example, input goods to industry and consumer products to Southern and Central Sweden, before taking the empty containers to SCA's industries in the north.

◀ A growing share of SCA's products is shipped in containers from plants to customers.

The transportation systems for timber and finished goods make SCA one of Sweden's largest rail carriers.



Sustainability as part of the business concept

Sustainability is integrated into the entire organisation and is part of SCA's business concept. The Group's sustainability platform shows how SCA delivers sustainable development and makes a direct or indirect contribution to all the UN's 17 Sustainable Development Goals.

SCA ANNUAL REPORT 2019

<p>Fossil-free world</p> <ul style="list-style-type: none"> • Growing forests bind CO₂ • Renewable products • Fossil-free value chain • Renewable energy   	<p>Valuable forests</p> <ul style="list-style-type: none"> • Biodiversity • Social values • Healthy growth • Reliable wood supply 	<p>Efficient use of resources</p> <ul style="list-style-type: none"> • The entire tree is utilized • Innovation • Continuous improvements • Minimize emissions and waste   	<p>Responsibility for people and the community</p> <ul style="list-style-type: none"> • Accident-free and healthy work environment • Dedicated employees • Diversity and inclusion • Viable local communities    
<p>Profitable growth</p> <p>Increased value creation for shareholders, customers, suppliers, employees and the community</p>			
<p>Values</p> <p>Purpose With the force of the forest, we contribute to a sustainable future</p> <p>Core values Responsibility, excellence and respect</p>     			

Climate benefit through the green cycle

SCA is driven by the force of the forest. The company's circular value chain produces recyclable products based on renewable forest raw materials: products that can replace fossil alternatives and that after use again become growing forest in a biological cycle. Climate benefit arise when growing forest captures carbon dioxide, when fossil materials are replaced and when own emissions are minimized.

Renewable raw materials for a fossil-free society

SCA's products replace fossil materials; fiber-based packaging replaces plastic, wood products replace steel and concrete construction materials and renewable energy replaces oil and coal. When fossil raw materials are replaced, coal and oil remain in the ground. Paper products are also recycled in efficient systems and used several times.

SCA has never had this much forest

The forest forms the foundation for SCA's value creation. Through responsible and active forest management, SCA has – over a period of many years – been able to increase harvesting of renewable raw materials at the same time as the volume of standing forest has grown. As a result, we have never had as much forest as we have today. The same applies to the whole of Sweden. SCA seeks out the best ways to reconcile our optimal and valuable wood production while preserving biodiversity.

Creating value for future generations

SCA has a long-term perspective and takes responsibility for sustainable development throughout its business. The company cooperates with suppliers and partners to ensure responsible business across the value chain. Investments in sustainable forestry create opportunities for the future. Future generations are to have at least the same access to biodiversity, nature experiences and raw material as the current generation.



▲
Anyone who works with the forest must have a long-term perspective. SCA's forests grow for a century or more.

Fossil-free world

SCA's operations are climate positive and contribute in several ways towards important climate solutions and a fossil-free world.



Fossil carbon remains in the ground

One of the greatest societal challenges of our time is to limit global warming to well below 2 degrees in line with the Paris agreement. To achieve this, we must use renewable alternatives. As long as we use fossil carbon, this will accumulate in the atmosphere and contribute to further global warming. The forest industry represents the green cycle where growing trees capture carbon dioxide from the atmosphere and convert this to biomass, which is used when the tree reaches harvestable age to produce renewable materials. These are used to replace fossil alternatives and will, sooner or later, return to the atmosphere as carbon dioxide, which new trees will capture and convert to biomass. This is clear in the IPCC's Climate Change and Land report, which was published in 2019. If forest is allowed to stand without being managed, it will reach a balance where the capture of carbon dioxide is roughly equal to the emission of carbon dioxide when the trees decompose.

SCA delivers climate benefit

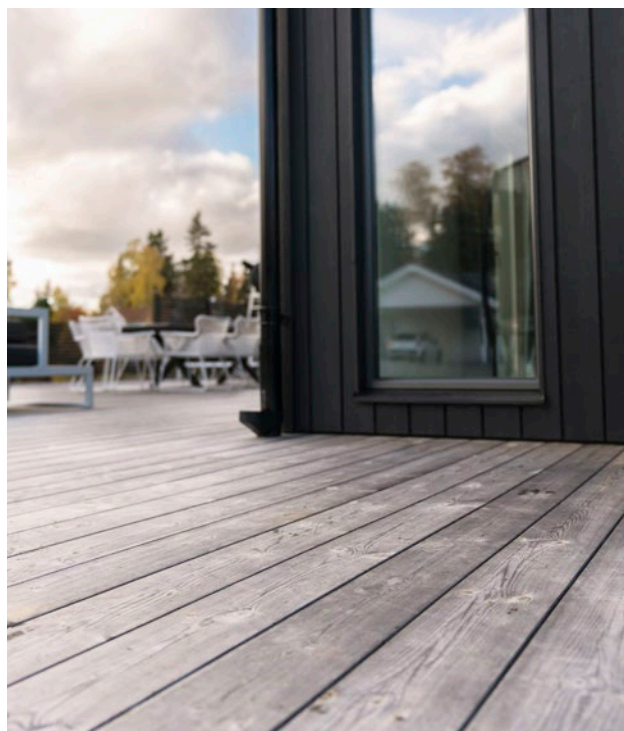
SCA's climate benefit have been calculated using a model launched in February 2019, see sca.com. The model takes into consideration the net carbon uptake in the company's own forests, the positive impact of the products in replacing fossil alternatives, and the fossil emissions from the company's entire value chain. Net uptake in the forest is based on the net growth's capture of carbon dioxide from the atmosphere, where net growth is the total growth of the forest less the volume

harvested or that disappears as natural losses on SCA's land. A summation of these components shows that SCA contributes with a climate benefit of about 10.5 million tonnes of CO₂ equivalents. This corresponds to the emissions from all passenger cars in Sweden during a year.

In addition to this climate effect, SCA facilitates the production of renewable electricity through the wind power produced by partners on the company's land. The capacity of existing turbines and for turbines under construction will amount to 8 TWh in 2022. The target is to reach a capacity, in operation or being built, of 11 TWh in 2025, equivalent to the electricity needed for the electrification of all passenger cars in Sweden.

Fossil-free value chain

The aim is that SCA's value chain is to become fossil-free. SCA's own industrial processes are 95% fossil-free thanks to the bioenergy from its own forest raw materials. Additional investments, such as the expansion of Obbola, will further reduce our fossil dependency. Emissions of greenhouse gases in the entire value chain, from forest operations to the customers' door, amounted to 0.9 million tonnes of CO₂ in 2019. Most of these emissions, 63%, are generated outside of the company's factories from transportation and input goods. The main challenge is to achieve fossil-free transportation. Key success factors include access to reliable rail transportation with a high capacity, 74-tonne road vehicles, more fuel-efficient vessels and access to fossil-free fuels.



◀ Growing trees capture CO₂ from the atmosphere.

Harvested trees are used to make products. Wood products can store carbon for many years.

Valuable forests

SCA ensures many diverse values for people and nature through responsible and active forest management.



Biodiversity through responsible forest management

An important aspect of responsible forest management is to preserve biodiversity and to conduct high-quality nature conservation. SCA's objective is that its forests are to be at least as rich in biodiversity, nature experiences and raw material in the future as they are today. SCA works in four different ways to meet the needs of different species in terms of habitat and opportunities to propagate. The company sets aside productive forest land from harvesting through voluntary set-asides, adopts conservation measures in all final felling, uses alternative forestry methods and performs specific nature conservation measures.

Nature conservation is included as a natural part in all stages of SCA's forest management and the company carries out many different initiatives to promote biodiversity, recreational opportunities and to preserve our cultural heritage. Some examples include recreating wetlands, controlled burning, selected felling of tree varieties to favor other species, and SCA's conservation parks.

Two trees for every one harvested

SCA is engaged in active forest management with long-term planning where forest growth determines the sustainable harvesting level. Future access to raw materials and continuing high levels of environmental benefits are thus secured. Through active and responsible forest management, only part of the growth is harvested every year and at least two new trees are planted for each harvested tree. As a result of this, we have never had as much forest on SCA's land or in Sweden as we have today. SCA's own forest holding of 2.6 million hectares and a standing volume of 252 million m³ of wood with gross forest growth of approximately 4% per year, can ensure an environmentally certified flow of raw materials to the industries, while safeguarding climate benefit and nature conservation.

Responsible wood supply

All of SCA's forestry management is certified according to both FSC and PEFC. Approximately 48% of the company's need for raw materials comprises wood from its own forests and chips from its own sawmills. The remaining raw materials are purchased from private forest owners in Northern Sweden, forest companies and forest owner associations and a small share is imported. The traceability of the wood raw material is ensured as SCA's wood sourcing is third-party certified in accordance with FSC Chain of Custody and PEFC Chain of Custody.

SCA strives to maximize the proportion of certified wood raw material by encouraging its wood suppliers to certify their forest operations. As a minimum requirement, the raw material must comply with FSC's Controlled Wood Standard. This means that SCA actively refrains from purchasing illegally harvested forest or forest from controversial sources, such as key habitats. It also guarantees that the timber is harvested with respect for nature conservation.

Collaboration with the reindeer husbandry

SCA collaborates with the Sami communities that herd reindeer on SCA's land and with the Swedish National Sami Council (SSR) as a means of creating a deeper understanding of each other's needs and finding joint solutions. Cooperation takes various forms, including consultation and regular dialogues. The form of the consultations, FPIC, is to be developed in line with the new Swedish FSC standard. This will include an extension of the planning horizon. In 2019, 79 consultations were conducted with 34 Sami communities. Issues discussed included the timing of harvesting and choice of tree species.



The forest offers many benefits in addition to timber, such as mushrooms, wildlife and outdoor experiences.

◀ SCA's forests shall be at least as rich in raw material, biodiversity and nature experiences in the future as they are today.

More efficient use of resources

The entire tree is used in circular value chains and creates both sustainability and profitability.

Innovation to address societal challenges

The forest industry is already contributing with renewable and recyclable materials and is thereby enabling to create a circular society. The company's innovation efforts aim to develop new materials, services and business models to help create a fossil-free and circular society. Two innovations during the year include a stronger pulp that provides higher productivity and lower energy consumption for the customer and a range of new pre-primed mouldings for the UK market.

The transition to a fossil-free society will require access to renewable fuels and to fossil-free energy. The expanded Östrand pulp mill was designed to be as energy-efficient as possible, and produces and sells a surplus of heat and green electricity. SCA is also conducting technology development for a future biorefinery that can produce renewable fuels and green chemicals.

Resource efficiency at every stage

SCA works continuously to further improve resource efficiency. The sawmills work in various ways to improve yield and pulp mills to improve wood consumption levels. Currently, more than 65% of fresh fiber is used for wood products, paper, pulp and pellets. The remaining raw material is used for electricity and energy and for other products, such as tall oil and biofuels.

For many years now, the company has pursued the ESAVE program to continuously improve energy efficiency, partly through investments and partly by sharing best practices. The current period runs from 2010 to 2020. The projects completed by the

end of 2019 have resulted in energy savings of approximately 155 GWh of electricity and 425 GWh of heating on an annual basis. A new program period will begin in 2020 aimed at continuing the Group's successful energy-saving work. The aim is to create further drive and engagement in continuous improvement activities by partially reworking the targets and by using additional resources.

Water is in short supply worldwide. SCA's operations are located in a geographic areas with a plentiful supply of fresh water. Fresh water is almost entirely obtained from surface water supplies and is reused several times in the company's processes. So far, the focus has been on minimizing environmental impact by working with emissions to water and air.

The forest industry is a major transport user. SCA always strives to optimize transport solutions, for example, through load utilization and coordination. The Group endeavors to evaluate and improve work processes and procedures through continuous improvements.

From residual product to valuable raw material

Through the Group's integrated value chain, residual flows from one part of the business become raw materials in another part. The company has worked for many years to minimize waste and most waste is now recycled as construction materials and through energy recovery. SCA is engaged in various development projects to further reduce waste and utilize more materials from residual flows.



The entire tree is used. Sawdust is used to make pellets.

◀ SCA works to increase resource efficiency, both for its customers and in its own processes.

Responsibility for people and the community

Success and sustainable development are dependent on dedicated employees and partnerships in local communities.

The equal value of everyone

SCA is an attractive and inclusive employer where health and safety is given the highest priority and where diversity is part of the culture. Employees are offered an opportunity to develop to their full potential and to work in an atmosphere of respect and trust.

SCA's values with the key words responsibility, excellence and respect which form the basis of the sustainability platform and describe how the company treats people, conducts operations, does business and contributes to the development of the local community. These relate to fundamental human rights and ethical requirements on operations, such as zero tolerance for corruption and victimization. The core values encompass company standards, sustainability across the value chain and justice and equality in the world around us. SCA has chosen to support the UN Global Compact and has been a member since 2008.

SCA's aim is zero workplace accidents. The Group has brought together work to achieve an accident-free and healthy SCA under the name ZERO. ZERO describes the company's health and safety culture, shared procedures and approach. Focus is on developing leadership, increasing awareness and changing behavior. During the year, a Safety Performance Review was performed using an external party to identify and prioritize work moving forward.

People create success

SCA's success is a result of committed and competent employees. The foundation for each employee's ongoing skills development is prepared at the annual appraisal reviews. SCA works to provide learning in the work situation, through coaching and traditional training. One success factor is managers who are fully present, lead by example and who encourage continuous improvements – to strive to become a little better every day. The company works in various ways to develop managers at all levels.

Diversity in the workplace is a development area for SCA. The company is actively striving to increase diversity by broadening its recruitment base, raising awareness within the organization and knowledge about the industry.

Creating value in the local community

SCA makes an active contribution to vivid local communities and to regional development. SCA's operations generate direct and indirect values, such as job opportunities, revenues from timber sales for private forest owners and work opportunities for contractors and sub-suppliers. Moreover, SCA provides income and experiences from hunting, fishing, recreation and local associations. SCA supports local sports and culture associations and clubs to help provide meaningful leisure activities and attractive residential areas.

Community engagement is primarily focused in the areas of skills supply, wood supply, infrastructure and cooperation with other industries. The company believes it can make the greatest difference in these areas, which are also strategically important.



Industrious bees are helping with pollination and producing honey on the roof of SCA's office in Sundsvall.

◀ Many people use the forest for relaxation and recharging their batteries.

The share and shareholders

The SCA share is quoted and traded on Nasdaq Stockholm. In 2019, the company's share climbed 38% and market capitalization was approximately SEK 67bn at the end of the year.

Share performance 2019

In 2019, SCA's Class B share increased by 38% to SEK 95.00 at the end of the year. During the corresponding period, the index of the 30 most traded shares, OMX Stockholm 30, rose by 26%. The highest closing price for SCA's Class B share was SEK 102.90, which was noted on November 8. The lowest closing price was SEK 66.84 on January 3. Total return for SCA's Class B share in 2019, meaning the share performance during the year and dividend, was 41%, which compares with total return for OMX Stockholm 30 of 31%.

Share trading

During 2019, trading in all marketplaces amounted to approximately 1,658 million SCA shares, which corresponds to about 236% of the total number of shares outstanding. The largest share of trading was on Nasdaq Stockholm, where some 670 million SCA shares exchanged hands. Average daily trading for SCA on Nasdaq Stockholm amounted to approximately 2.7 million shares. During the year, trading on CBOE Chi-X amounted to approximately 174 million SCA shares, trading on Turquoise to about 46 million SCA shares and trading on other marketplaces to approximately 768 million SCA shares.

Ownership structure

SCA had approximately 108,000 shareholders as of December 31, 2019. Some 67% of the share capital is owned by Swedish investors and 33% by foreign investors. The US, Norway and the UK account for the highest percentage of shareholders registered outside Sweden.

Share structure

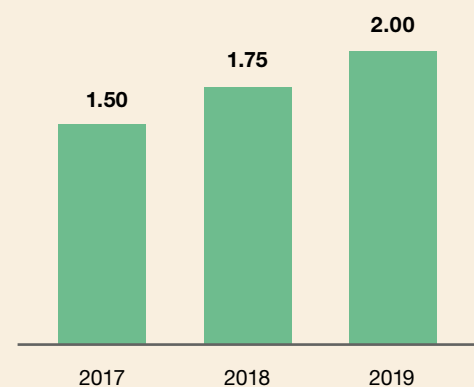
SCA's share capital comprises two classes of shares, shares of Class A and of Class B. Each Class A share carries ten votes and each Class B share carries one vote. Class A and Class B shares hold the same right to dividends. Both share classes are listed on Nasdaq Stockholm.

Dividend and dividend policy

SCA aims to provide long-term stable and rising dividends to its shareholders. When cash flow from current operations exceeds what the company can invest in profitable growth over the long term, and under the condition that the capital structure target is met, the surplus shall be distributed to the shareholders.

The Board of Directors proposes a dividend of SEK 2.00 per share for the 2019 fiscal year. In 2018, a dividend of SEK 1.75 per share was paid and in 2017 a dividend of SEK 1.50 per share was paid.

Dividend per share, SEK

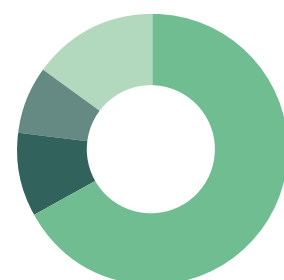


SCA's ten largest shareholders, as of December 31, 2019

Shareholders	No. of Class A shares	No. of Class B shares	Capital	Votes
Industrivärden	33,785,290	34,575,273	9.7%	29.0%
Norges Bank	8,066,000	42,530,137	7.2%	9.6%
AMF Insurance and Funds	1,900,000	75,910,458	11.1%	7.4%
Handelsbanken Pension fund	3,827,747	5,846,050	1.4%	3.4%
Swedbank Robur Funds		38,776,933	5.5%	3.0%
Alecta Pensionsförsäkring		30,586,095	4.4%	2.4%
Livförsäkringsbolaget Skandia	1,457,843	6,324,350	1.1%	1.6%
Vanguard	188,235	17,489,306	2.5%	1.5%
Pensionskassan SHB Insurance	1,303,000	3,576,950	0.7%	1.3%
Handelsbanken Fonder		13,242,585	1.9%	1.0%
Ten largest	50,528,115	268,858,137	45.5%	60.3%
Other	14,059,557	368,896,680	54.5%	39.7%
Total	64,587,672	637,754,817	100.0%	100.0%

Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and Finansinspektionen. The verification date may vary for certain shareholders.

Shareholders by country, capital



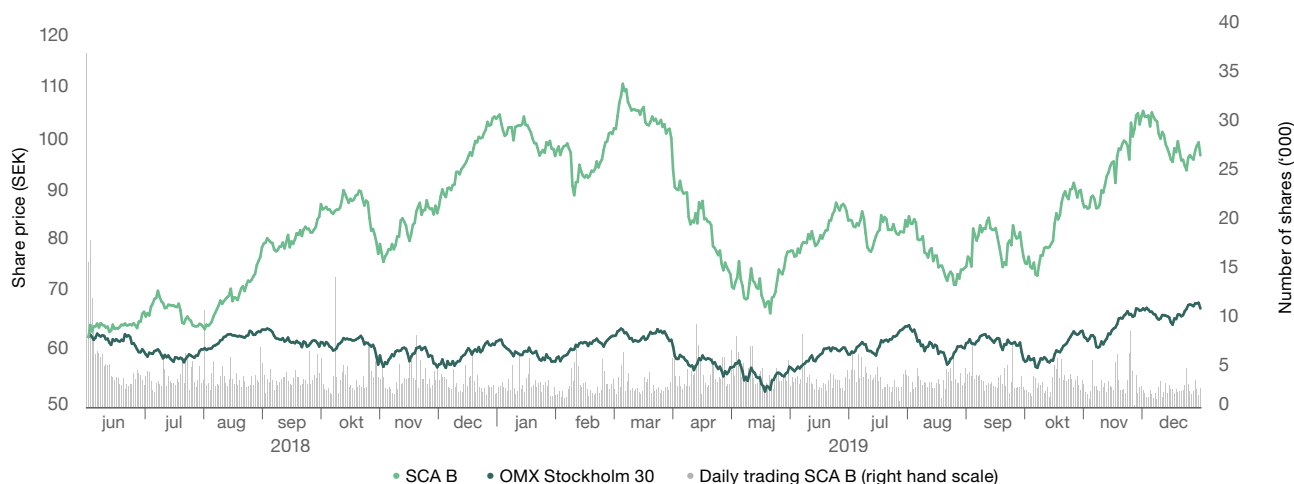
Sweden	67%
US	10%
Norway	8%
Other	15%

Shareholder structure, as of December 31, 2019

Holding	No. of shareholders	No. of shares	Capital	Votes
1–500	76,403	10,978,879	1.6%	1.8%
501–1,000	13,394	10,398,392	1.5%	1.6%
1,001–5,000	14,246	31,082,097	4.4%	4.9%
5,001–10,000	1,944	14,011,546	2.0%	2.1%
10,001–20,000	770	10,896,018	1.6%	1.4%
20,001–50,000	387	12,394,692	1.8%	1.6%
50,001–100,000	146	10,561,615	1.5%	1.4%
100,001–	259	576,375,445	82.1%	83.1%
Anonymous owners		25,643,805	3.7%	2.0%
Total	107,549	702,342,489	100.0%	100.0%

Source: Euroclear and Modular Finance

Share performance



Board of Directors' Report

SCA is Europe's largest private forest owner with 2.6 million hectares of forest land in Northern Sweden and the Baltic states. The forest is a real asset, which grows each year and forms the core of SCA's operations. Around this renewable resource SCA has built a well-invested and efficient value chain, which maximizes the value of each tree.

Operations and organizational structure

The core of SCA's operations is the forest. Around this resource, SCA has built an integrated and well-invested industry, which utilizes and maximizes the value of the entire tree. Using the raw materials, SCA develops products for customers all over the world with high demands on quality, delivery reliability, service and sustainability.

The most valuable part of the tree is used for sawlogs and as much as possible of the timber is sawn to become solid-wood products for industry and the building materials trade. Bark is used in energy production. Chips together with tree-tops and smaller trees are used to make pulp and paper for further processing by customers into tissue, packaging and publication paper. Sawdust is used to make pellets for energy production at SCA and externally. Steam and by-products from pulp production are used to deliver heat to the local district heating system, generate green electricity and in the future also produce liquid biofuels.

Organization and reported segments

SCA is organized into five business areas and one support unit.

Business areas

- The Forest business area has overall responsibility to supply SCA's forest industries with wood raw material. This means the Forest business area is responsible for managing SCA's own forest land in Sweden and the Baltic states, for sourcing wood raw material from other forest owners and for transporting the wood raw material to SCA's industries.
- The Wood business area is responsible for the solid-wood business, which comprises five sawmills in Sweden and wood processing units and distribution and wholesale operations for wood products in Sweden, the UK and France.
- The Pulp business area is responsible for the pulp business, consisting of kraft pulp (NBSK) and chemical thermomechanical pulp (CTMP), both produced at the Östrand pulp mill.
- The Paper business area is responsible for the kraftliner business, with manufacturing of containerboard at the Obbola and Munksund paper mills, and for the publication paper business, with manufacturing of publication paper for magazines, catalogs and commercial print at the Ortviken paper mill.
- The Renewable Energy business area operates and develops SCA's business in the renewable energy segment, which includes the development of wind power projects,

pellets manufacturing and sales, and the use of biomass and by-products from industry in energy production.

The support unit Sourcing and Logistics includes SCA's common sourcing functions. The unit is also responsible for SCA's logistics system for deliveries to customers using specially adapted vessels and terminals both in Sweden and in key foreign markets.

Staff functions

SCA has five corporate staffs: Communications, Human Resources, Finance, Legal Affairs and Strategic Development.

Segments

SCA's financial reporting is conducted in four segments, which are slightly different to the business areas described above. The forest segment includes the Forest business area and activities in sustainable energy linked to the forest that are managed by the Renewable Energy business area, primarily wind power leases and the sale of by-products from the forest for energy purposes. The Wood segment includes the Wood business area and the activities linked to the sawmills that are managed by the Renewable Energy business area, primarily pellets production.

The Wood, Pulp and Paper segments also include an allocation of the results of the support unit Sourcing and Logistics, equivalent to the resources of the support unit used by each business area. The Forest business area does not use the support unit's logistics services.

Otherwise, the reporting segments are consistent with the business areas.

Organization



Events during the year

Investments

SCA invests in Obbola kraftliner mill

SCA announced in September 2019 that the company is building a new paper machine for the production of kraftliner at its Obbola paper mill in Umeå Municipality. Production in Obbola will increase from the current 450,000 tonnes of kraftliner to 725,000 tonnes per year to meet an expected increase in demand for renewable packaging.

The total investment will be approximately SEK 7.5bn over a five-year period and will be reported as a strategic investment. The investment will replace necessary reinvestments in Obbola of about SEK 2.5bn. The investment will mainly be financed using operating cash flow, complemented with the Group's normal financing sources.

The new paper machine is being constructed in a new building, alongside the current paper machine. This means the plant will be in full operation during the construction period before switching over from the old machine to the new one ahead of its start-up in 2023. The new mill's ramp-up to full capacity is expected to take three years.

The investment of SEK 7.5bn includes environmental investments of approximately SEK 1bn, which, for example, will reduce oil consumption by 8,000 cubic meters per year and improve the water treatment capacity. Following the investment, SCA's own industrial processes will be 97% fossil-free.

New dry sorting line in Bollsta

SCA is constructing a new dry sorting line at the sawmill in Bollsta that will replace two old lines. The total investment will amount to about SEK 600m over a three-year period and is part of the company's existing framework for current capital expenditure. The reinvestments will concentrate operations to a single location, which will reduce production costs, increase efficiency and create a foundation for continued expansion.

Increased production of white-top kraftliner

SCA has invested approximately SEK 200m to increase white-top kraftliner production at the Munksund paper mill. The investment increased the mill's capacity for white-top kraftliner from 150,000 to 200,000 tonnes per year. The paper mill's total

production capacity did not increase following the investment. The investment was completed in May 2019 on time and on budget.

Investment in expanded pulp capacity in Östrand

SCA has invested approximately SEK 8bn in doubling the production capacity at the Östrand pulp mill, an investment financed by operating cash flow. The expanded pulp mill began operating, as planned, in June 2018. Production has gradually increased in 2019.

Acquisitions

Acquisition of 30,000 hectares of forest land in Baltic states

Through three transactions, SCA acquired approximately 30,000 hectares of forest in Estonia and Latvia for about SEK 950m. The standing timber volume amounts to approximately 3.2 million cubic meters. The acquisitions strengthen SCA's opportunities to sustainably source timber in the region. Forests are an asset that offer stable growth and form the basis for value creation in SCA's integrated value chain.

Merger of SCA Wood France and Groupe ISB

SCA Wood France S.A.S. and the French company Innovation Solutions Bois, ISB, merged their operations in wood processing and the distribution of wood products in France during the first quarter of 2019. The merger created a leading supplier of wood products to the French building materials sector, with net sales of approximately SEK 2.7bn. SCA's shareholding in the combined company Florencia S.A.S. amounts to 38.5%.

Divestments

SCA sells logistics terminal in Rotterdam

SCA divested its subsidiary SCA Logistics B.V. (Rotterdam) to the Dutch company Matrans Holdings B.V. The transaction reduced SCA's net debt by approximately SEK 660m (including a decrease in lease liability) and was closed in the third quarter of 2019.

Forest valuation

Increase in standing volume in new forest survey

SCA performed a new forest survey in 2019. According to the

new inventory, SCA's standing volume in Sweden is estimated at 249 million m³fo as of December 31, 2019. This compares with the previous survey from 2012–2013 that indicated standing volume of 238 million m³fo at the end of 2019. Of the 11 million m³fo increase, about 6 million m³fo is related to higher than expected growth during the period between surveys (six years) and about 5 million m³fo is related to better data measurement compared with the previous survey.

The annual net growth in Sweden amounted to approximately 10.5 million m³fo, 1 million m³fo higher than the estimate in the previous survey of about 9.5 million m³fo. Net growth amounted to approximately 4.0 million m³fo, compared with the previous estimate for net growth of about 3.0 million m³fo.

Based on the new forest survey, work on a new harvesting schedule has commenced and is expected to be completed in the first half of 2020.

Together with 3 million m³fo of forest in the Baltic states, SCA's total standing volume amounts to 252 million m³fo.

New transaction-based method for valuing forest holding

In light of the price level of forest land in a number of large and recently completed forest land transactions, SCA has reviewed the method and assumptions for valuation of the company's forest assets in its balance sheet. The review shows that a large number of forest transactions take place in areas where SCA owns forest assets, that the value of larger forest assets is generally in line with the values of smaller and mid-sized forest assets, and that the value is significantly higher than the previous carrying amount.

At December 31, 2019, SCA changed its accounting method for valuing the company's forest assets so that the value is based on transactions in areas where SCA owns forest land in Sweden. Market prices amount to an average of SEK 276/m³fo and SCA's standing volume in Sweden is estimated at 249 million m³fo according to the new forest survey. Based on this, SCA's forest assets in Sweden were valued at approximately SEK 69bn at December 31, 2019. In addition, SCA owns forest assets in the Baltic states with a value of approximately SEK 1bn. This compares with the previous carrying amount of the forest assets of approximately SEK 34bn.

The revaluation resulted in an earnings effect on EBITDA of approximately SEK 16bn and in a provision for deferred tax of approximately SEK 3bn. The net effect of the revaluation improved profit for the period by about SEK 13bn. The revaluation and provision for deferred tax did not affect cash flow. The earnings impact is recognized in the segment Other.

Financial performance

Net sales

Demand and market prices declined gradually for all product areas during the year. But despite a weaker market, net sales were higher than in 2018 due to increased delivery volumes from the expanded pulp mill. Net sales amounted to SEK 19,591m (18,755), an increase of 4%, of which price/mix accounted for –8%, volume for 11%, currency for 3% and acquisitions/divestments for –2%. The growth was mainly related to higher delivery volumes in Pulp from the expanded Östrand pulp mill. The merger with Groupe ISB, within Wood, had a negative effect on net sales, since the merged company is not consolidated in SCA.

In addition to net sales, SCA's other operating income amounted to SEK 2,191m (1,927) in 2019, an increase of 14% compared to 2018. Other operating income comprises products and services that are not finished products in Wood, Pulp and Paper, such as energy products, sales of freight services to external customers and wind power leases.

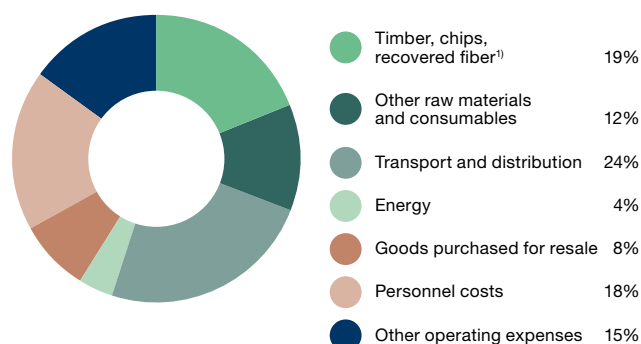
Condensed consolidated income statement

SEKm	2019	2019 ¹⁾	2018	Change % ²⁾
Net sales	19,591	19,591	18,755	4
Other operating income	2,191	2,191	1,927	14
Operating expenses	–421	–16,463	–15,430	7
EBITDA	21,361	5,319	5,252	1
Depreciation	–1,696	–1,616	–1,250	29
Operating profit	19,665	3,703	4,002	–7
Financial items	–126	–126	–29	
Profit before tax	19,539	3,577	3,973	–10
Taxes	–4,017	–730	–314	
Profit for the period	15,522	2,847	3,659	–22
Key figures				
EBITDA margin	109.0%	27.2%	28.0%	
Earnings per share	22.10	4.05	5.21	

1) Excluding the impact of the changed accounting method for the valuation of forest assets.

2) Comparison of earnings excluding the impact of the changed accounting method for the valuation of forest assets.

Cost structure 2019



¹⁾ Timber, chips and recovered fiber also included the change in inventories and changes in value in biological assets

Reasons for changes in EBITDA (%) in 2019 compared with 2018

	2019
Price/mix	–28%
Volume	11%
Raw material costs	–2%
Energy costs	4%
Currency	9%
Other	7%
Total	1%

SCA is an export-oriented company and approximately 85% of net sales were sold outside Sweden. The largest individual export markets are the UK (18%), Germany (14%) and France (6% of net sales).

Cost structure

In 2019, SCA's total operating expenses, excluding the impact of the changed accounting method for the valuation of forest assets, amounted to SEK 16,463m (15,430), an increase of 7% compared to 2018. Operating expenses were reduced from a positive change in the value of biological assets of SEK 717m (679), related to timber, chips and recovered fiber. The largest share of the cost base comprises sourced timber, chips and recovered fiber (19%), other raw materials and consumables (12%), personnel costs (18%) and transportation and distribution costs (24%).

Research and development (R&D) costs during the year amounted to SEK 41m (48), corresponding to 0.2% of consolidated net sales.

Performance

EBITDA increased to SEK 21,361m (5,252), mainly related to a positive earnings impact of approximately SEK 16bn from the changed accounting method for valuation of forest assets.

EBITDA, excluding the impact of the changed accounting method for the valuation of forest assets, increased 1% to SEK 5,319m (5,252), which corresponds to an EBITDA margin of 27.2% (28.0). The increase was mainly attributable to higher delivery volumes in Pulp, positive exchange rate effects and lower costs for planned maintenance and expansion stops of SEK 248m (367). Lower selling prices had a negative impact on earnings.

Depreciation amounted to SEK 1,696m (1,250). The increase was mainly attributable to investments in the expanded pulp mill that increased depreciation as of the third quarter of 2018.

Operating profit, excluding the impact of the changed accounting method for the valuation of forest assets, declined 7% to SEK 3,703m (4,002).

Financial items amounted to SEK -126m (-29).

Tax amounted to SEK 4,017m (314), corresponding to an effective tax rate of 20.6%. The increase was mainly related to the changed accounting method for the valuation of forest assets that resulted in a provision for deferred tax of approximately SEK 3bn, which had no impact on cash flow.

Tax, excluding the impact of the changed accounting method for the valuation of forest assets, increased to SEK 730m (314). The Swedish Parliament has decided to reduce Sweden's corporate tax rate in two steps. On January 1, 2019, tax was reduced from 22.0% to 21.4%. On January 1, 2021, tax will be further reduced from 21.4% to 20.6%. The reduction resulted in a positive non-recurring item relating to deferred tax of SEK 139m in 2019 and SEK 544m in 2018.

Earnings per share, excluding the impact of the changed accounting method for the valuation of forest assets, amounted to SEK 4.05 (5.21).

Cash flow

The operating cash surplus amounted to SEK 4,382m (4,503). The cash flow effect of changes in working capital was SEK -186m (-843). Current capital expenditures, net, totaled SEK -1,132m (-1,002). Operating cash flow increased 6% to SEK 2,922m (2,751).

Strategic capital expenditures totaled SEK -1,256m (-1,967). The cash flow effect of acquisitions amounted to SEK -1,115m (0) and relate to the acquisition of forest properties in the Baltic states totaling SEK -957m and shares in Groupe ISB totaling SEK -158m. The cash flow effect from the divestment of the terminal in Rotterdam was SEK 370m. Dividends amounted to SEK -1,229m (-1,054). Income tax payments totaled SEK -652m (-229).

Operating cash flow statement

SEKm	2019	2018
Operating cash surplus	4,382	4,503
Change in working capital	-186	-843
Current capital expenditures, net	-1,132	-1,002
Other operating cash flow	-142	93
Operating cash flow	2,922	2,751
Financial items	-126	-29
Paid tax	-652	-229
Other	2	2
Cash flow from current operations	2,146	2,495
Company and asset acquisition	-1,115	-
Divestments	370	-
Strategic capital expenditures in non-current assets	-1,256	-1,967
Cash flow before dividend	145	528

Financial position

SCA's capital employed totaled SEK 77,107 (46,082) as of December 31, 2019, an increase during the year of SEK 31,025m. The increase was mainly the result of changes in accounting principle for the valuation of forest assets.

SCA's net debt totaled SEK 8,597m (7,020) as of December 31, 2019, an increase of SEK 1,577m. Net debt totaled 1.6 times EBITDA (1.3) and the debt/equity ratio was 13% (18).

At December 31, 2019, gross debt amounted to SEK 10,140m, with an average maturity of 4.5 years. The loan structure consists of short-term commercial paper as well as bonds and bilateral bank loans. The lease liability amounted to SEK 854m. Unused credit facilities amounted to SEK 5,000m. Cash and cash equivalents amounted to SEK 454m at the end of the period.

Credit structure and available credit facilities

Committed credit amount, SEKm ¹⁾	Maturity years						
	Dec 31, 2019	2020	2021	2022	2023	2024	2025+
Syndicated credit facilities ²⁾	5,000					5,000	
Commercial paper	2,500	2,500					
Bond issues	2,200	1,000	1,200				
Swedish Export Credit Corporation	1,500			500	500	500	
European Investment Bank	1,480			160	160	160	1,000
Nordic Investment Bank	1,000			143	143	143	571
Total	13,680	3,500	1,200	803	803	5,803	1,571

1) Whereof drawn loans amounted to SEK 7,730m

2) The credit facility is undrawn

Balance sheet structure

SEKm	Dec 31, 2019	Dec 31, 2018
Forest assets	69,682	33,065
Deferred tax liabilities related to growing forest	-13,977	-6,658
Working capital	3,748	3,735
Other capital employed, net	17,654	15,940
Total capital employed	77,107	46,082
Net debt	8,597	7,020
Net debt/EBITDA	1.6x	1.3x
Equity	68,510	39,062
Net debt/Equity	13%	18.0%

Other Group information

Parent Company

The object of the Group's Parent Company, Svenska Cellulosa Aktiebolaget SCA (publ), is to own and manage shares in a number of subsidiaries and perform Group-wide management and administrative functions. The Parent Company also owns a large share of the company's forest assets. The company's corporate registration number is 556012-6293.

In 2019, operating income amounted to SEK 235m (224) and profit before tax to SEK -4m (857). For more information, refer to pages 124-132.

Holdings of treasury shares

SCA holds no treasury shares.

Distribution of shares

The total number of shares as per December 31 amounted to 702,342,489, of which 64,587,672 Class A shares and 637,754,817 Class B shares. No change was made to the number of Class A and Class B shares during the year.

Dividend

The Board of Directors proposes a dividend of SEK 2.00 per share or SEK 1,405m. The record date for entitlement to receive dividends is proposed as April 2, 2020.

Environmental impact in Sweden

In 2019, SCA operated 12 manufacturing sites for which a permit is required in Sweden. The value of deliveries from operations for which permits are required accounted for more than 90%

of consolidated net sales in 2019. Four permits relate to the manufacture of pulp and paper. These operations impact the environment through emissions to air and water, solid waste and noise. Seven permits relate to the production of solid-wood and processed wood products, and biofuels and one permit pertains to the manufacture of fuel pellets. These operations impact the environment through emissions to air and water, and noise.

Guidelines for remuneration of senior executives

The Board of Directors has decided to propose to the 2020 Annual General Meeting (AGM) the following guidelines for determining salaries and other remuneration for senior executives to apply for the period following the AGM.

"These guidelines shall apply to remuneration to Board members, the President, vice President as well as other members of the senior management. The guidelines do not apply to remuneration resolved by the general meeting.

Principles for remuneration

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit, motivate and retain qualified personnel through competitive remuneration in line with market levels. To this end, the total remuneration is to correspond to market practice and be competitive on the senior manager's field of profession, as well as be linked to the manager's responsibility, authority and performance. Remuneration may consist of fixed salary, variable salary, other benefits and pension, jointly referred to as total remuneration. The company's business strategy can be found in the company's annual and sustainability report

Variable remuneration

Variable remuneration shall aim at promoting the company's business strategy and long-term interests, including its sustainability. Variable remuneration shall be based on the outcome in relation to short-term and long-term goals, respectively, comprising financial goals, goals that contribute to such, or to the value development of the company's share. It shall be linked to the fixed annual salary and be maximized. Variable remuneration is to be paid as cash remuneration and shall not qualify for pension benefits. The short-term portion shall not exceed 50 percent of the fixed annual salary and the long-term portion shall not exceed 50 percent of the fixed annual salary.

Short-term performance goals may include, for example, organic growth, profit, cash flow, capital efficiency, return, health-safety-environment, individual targets, or a combination thereof.

Long-term performance goals shall be linked to the value development of the company's Class B share, measured as TSR-index (Total Shareholder Return) compared with a weighted index

composed of OMX Stockholm 30 and the shares of a number of identified peer companies over a three-year period, where the maximum outcome requires a 5 percent stronger outcome for the SCA share compared to the peer group index over the multiple-year period. Payment of remuneration for the satisfaction of long-term performance goals shall further be linked to a requirement of a certain investment by the manager in the SCA share, with a three-year minimum holding requirement.

Additionally, variable remuneration in the form of project bonuses may be awarded in individual cases. The performance goals shall, in such case, be linked to the project (e.g. Capex or production volume) in order to promote the completion of the project. The satisfaction of goals may be measured, and bonus may be paid, after one or several years. Such project bonus shall not exceed 40 percent of the total fixed annual salary during the relevant period.

The company shall be able to refrain from paying variable remuneration when required and possible under applicable law, if there is special cause and withholding the payment is necessary to serve the company's long-term interests, including its sustainability. The company shall also have the possibility to, under applicable law, reclaim variable remuneration paid on incorrect grounds.

Pension and other benefits

Pension benefits shall solely contain defined premium pension benefits, unless the manager is subject to defined benefit pension under applicable collective agreement provisions. The planned retirement age is 65 years. The defined premium pension shall total a maximum of 50 percent of the fixed annual salary.

Other benefits may include, for example, health insurance, company car and wellness allowance.

In the event of termination of employment, a notice period of two years shall typically apply if the termination is initiated by the company, or one year, if termination is initiated by the manager. Severance pay shall not occur.

Decision-making process and reporting

Issues regarding remuneration to senior managers shall be dealt with by the Board of Directors' remuneration committee and, in case of the President, be decided by the Board of Directors. The remuneration committee's tasks shall also include preparing the Board of Directors' decision to propose guidelines for remuneration to senior managers, as well as monitoring and evaluating the application of these. The senior managers shall not participate in the Board of Directors' nor the remuneration committee's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

In the preparation of the remuneration guidelines, salary and employment conditions for the company's other employees in Sweden shall be taken into account, including information on the employees' total income, the components of the remuneration and increase and growth rate over time, as well as the company's equality policy.

The Board of Directors shall prepare a remuneration report.

Application of and derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability.

The guidelines do not take precedence over mandatory provisions under applicable employment regulation or collective agreements. They are also not applicable to agreements already signed.

For more information about the company's application of current remuneration guidelines, please see the company's annual and sustainability report, note Remuneration of Senior Executives."

Information about SCA's current guidelines for remuneration to senior executives, the application of the current guidelines and the costs for the remuneration to senior executives is covered in note C3.

SCA's sustainability reporting in accordance with the Annual Accounts Act

Sustainability work is integrated into SCA's operations, which makes it natural to allow sustainability reporting, in accordance with the Swedish Annual Accounts Act Chapter 6, Section 11, to be part of a combined Annual Report and Sustainability Report 2019. This report relates to Svenska Cellulosa Aktiebolaget SCA (publ) and its subsidiaries, refer to Note F1 on page 120. The SCA Group, its operations and business model are described overall in the Board of Directors' Report on page 58. The Sustainability Report was submitted to the auditor at the same time as the Annual Report.

Governance of the sustainability agenda is described in the Corporate Governance Report and in the Sustainability facts section. SCA's Code of Conduct is the Group's foremost steering document and constitutes, together with the Group's Sustainability Policy, the basis of SCA's sustainability agenda. Follow-up and

evaluation of these policies complies with SCA's procedures for internal control and audits, as described in the Corporate Governance Report on pages 69–73. In addition, SCA's sustainability targets and priorities are also monitored through the Group's Sustainability Council.

The management of material risks in the area of sustainability constitutes part of the Group's general work with identifying and handling risks. This process, identified risks and managing these risks are described in the Board of Directors' Report.

The strategic priorities for sustainability work, where SCA's value chain can be influenced, how the areas are material for SCA's stakeholders, how they are governed and the most important result indicators are described in the sustainability facts, refer to the table on pages 140–141. The table also shows how social

conditions, personnel issues, the environment, human rights and anti-corruption form part of SCA's sustainability agenda.

In addition to the information above, SCA's sustainability work and the outcome of this work is described on the pages listed below, divided into sustainability areas according to the Swedish Annual Accounts Act:

- Social conditions and personnel issues, refer to pages 54–55, 142–147 and 153.
- Environment, see pages 48–53, 148–152 and 154–155.
- Human rights and combating corruption, refer to pages 142–143.
- Diversity policy for the Board of Directors, refer to page 71.

Risks and risk management

SCA is exposed to a number of risks that could impact the company's development and brand. These risks are generally defined as factors that may impact SCA's ability to be a credible and sustainable company with good profitability over time. Through effective risk management, SCA is proactive in minimizing the likelihood of the risk occurring and in reducing the negative effects should identified risks occur.

Many of the risks described could have a positive or negative impact on the Group. Risks could also entail opportunities for SCA. Examples include "Demand and market price for SCA's products" and "Raw material prices".

Processes for risk management

SCA's Board determines the Group's strategic direction after recommendations from Executive Management. Responsibility for the long-term, overall management of risks corresponds with the company's delegation scheme, from the Board to the President and from the President to the business area presidents. This implies that most of SCA's operational risks are managed by SCA's

business areas at the local level, but that they are coordinated when deemed necessary. The tools for this work primarily comprise continuous reporting by the business areas and the annual strategy process, where identifying, evaluating and managing risks are a part of the process. Identified risks are classified according to the likelihood of the risk occurring and the impact on SCA's performance. Approved control measures are followed up and assessed within the framework of the company's internal control.

SCA's financial risk management is centralized, as is the corporate internal bank for the Group companies' financial transactions and management of the Group's energy risks. The financial risks are managed in accordance with the Group's Financial Policy, which is set by SCA's Board and, together with the company's Instructions for energy trading, comprises a framework for management activities.

SCA has a corporate internal audit function, which ensures that SCA's organization complies with the set policies and agreed measures to manage identified risks. The internal audit function reports to the Board of Directors through its Audit Committee.

Operational risks

Risk	Description of risk	Management and comments for the year
Demand and market price for SCA's products	Demand for SCA's products is influenced by a variety of factors, such as the general economic trend, and also by more specific trends, such as an increase in e-commerce, a decline in newspaper reading and the resulting changes in the advertising market. Other sectors whose development influences demand for SCA's products include construction activity and DIY. Other products and services can substitute SCA's products at the same time as SCA's products can also replace other products and materials. SCA is benefiting from the substantial need to replace fossil materials with renewable alternatives.	For most of the product areas where SCA operates, there are a number of competing producers and distinct market prices. Supply is determined by the available production capacity at SCA and its competitors. Market price is determined at any time based on demand and supply. Sales contracts for SCA's products may reflect that SCA's price is a form of market price, though sometimes with a certain time lag compared with the development of the market, published price indexes, etc. Sales contracts can also state a specific price, which normally is for an open-ended period. Variations in market prices can cause significant fluctuations in profit for SCA. Several methods can be applied to address the risk of a fluctuating market price. Long-term contracts at fixed prices or price hedging only occur in exceptional cases. To reduce the impact of price movements, at least in cases where these are negative and are expected to be long-term, measures can be taken to adapt the cost scenario to the situation, for example, by renegotiating purchasing agreements, implementing personnel or capacity reductions, and reviewing the business structure. A transition to alternative production can also be considered where this is possible. The company's innovation efforts aim to develop new products and process solutions that enhance competitiveness.
Raw material prices and other costs for input goods and services	The market price fluctuates over time for many of the input goods and services used in the manufacture of SCA's products. This could have a positive or negative impact on earnings. 82% of SCA's cost base of SEK 16,463m is made up of raw materials, energy and other input goods and services, including distribution services. SCA's cost structure is described in the Board of Directors' Report.	The risk of price movements related to input goods and services and the impact of this variation on earnings can be managed in several ways. SCA's integrated value chain ensures that the raw material flows are integrated from forest raw materials to the finished forest products. This integration entails, in itself, risk reduction. SCA's large forest holding also entails a risk reduction. In 2019, 48% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills. Another method used to manage the price risk is by entering financial hedges and long-term contracts. SCA is an energy-intensive company and can, according to internal rules, hedge the electricity price risk for up to 36 months. Electricity price hedging is effected through financial instruments and fixed pricing in supply agreements. In 2019, SCA's net purchases of electricity totaled 1.8 TWh (2.3). For 2020, 65% of forecast electricity purchases have been hedged, and for 2021, 30%. No hedging has been carried out for 2022. Under normal circumstances, no other price risks in input goods are hedged except for electricity. Other alternatives to manage variations in costs include renegotiating contracts, looking for new suppliers or replacing input goods and services where prices have risen with other products and services that fulfill the same function. Transport expenses account for a large share of SCA's cost base. Use of our own logistics operations enables the system to be optimized and risks minimized. Most sales are to markets with good logistics solutions and with the same cost scenario as our competitors, meaning no structural disadvantage.

Risk	Description of risk	Management and comments for the year
Environmental impact	<p>SCA's operations have an impact on air, water, land, noise levels and biological processes. These effects could lead to costs for restoring the environment or other kinds of negative effects. Demands for restoring the environment may also include the impact of SCA's previous, now discontinued operations. SCA's industrial operations in Sweden require a permit in accordance with the Swedish Environmental Code. Permits granted stipulate limits for the scope of operations and impact on surroundings. Any expansion or changes to operations may require further action. Forest operations are impacted by the Swedish Forestry Act and the Land Acquisition Act.</p>	<p>SCA's Sustainability Policy details guidelines for the Group's actions in the areas of environmental and social responsibility. In addition to this, targets for people and nature are an integrated part of SCA's business strategy. Risks are minimized through preventive work in the form of certified environmental management systems, control programs for compliance with environmental permits and risk analyses in conjunction with acquisitions, and remediation projects in connection with plant closures. Through its Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. The data is used for internal control and follow-up of established targets. All employees have been encouraged to report observations and incidents, which are then used in efforts to achieve continuous improvements. Continuous efforts are conducted to increase the proportion of renewable energy and biofuels. SCA also works to reduce the volume of production waste. A description of SCA's work and governance in this area is provided in the Sustainability facts section.</p>
Climate change	<p>Climate change in the form of global warming can, to a certain extent, be expected to have a positive impact by creating a more favorable climate for forest growth in Northern Sweden. There is also a risk that changes to weather conditions could lead to drought, which in turn could increase the risk of insect damage or fires. The risk of storm damage could also increase. Timber harvesting and transportation could be impacted by more difficult terrain, particularly in the spring. Furthermore, political decisions may be taken to reduce climate impact and these could affect the company in various ways.</p> <p>A changing climate could affect biodiversity in the company's forests as living conditions for various species are altered. Access to fresh water may be adversely impacted by a warmer climate.</p> <p>To counteract climate impact, demand is increasing for renewable and fossil-free alternatives, which favors SCA.</p>	<p>SCA's forests are managed to minimize the risk of damage from insects, fire or storms. SCA strives to make continuous improvements and, together with researchers, to develop forestry methods and seedling material. One example is how forest operations were modified based on the increased risk of fire during the dry summer of 2018, which meant only small areas of SCA's forests were damaged by fire. Good planning and flexibility is required to reduce the impact of changing driving conditions arising from shorter winters and higher rainfall. The company's large and geographically dispersed forest holding increases flexibility and decreases risk. SCA's plants are located in areas with a plentiful supply of water from sources considered robust. The company's facilities reuse most of the fresh water delivered and focus on reducing emissions to water.</p> <p>SCA's large forest holding has a significant positive climate impact through its net uptake of CO₂. Good forest management creates vigorous and flourishing forests, with greater resistance to climate-related damage than older, unmanaged forests. The forest also guarantees access to renewable forest raw materials and provides valuable ecosystem services for society. SCA works proactively to decrease its carbon footprint in its own value chain by reducing energy consumption, emissions of greenhouse gases, through transport optimization and by offering renewable products with low climate impact.</p> <p>It is difficult to predict how different species in the forest stands will be impacted by climate change. SCA is taking part in projects and monitoring developments in the area and will, whenever necessary, adapt its forest operations and work with nature conservation.</p>
Business ethics	<p>Unethical behavior or poor management of risk linked to business ethics can damage the company's brand and reputation in the market. SCA may also suffer fines and other legal sanctions. Through good business ethics, the company can contribute to a positive development across the value chain and minimize the risk of corruption.</p>	<p>To ensure that SCA's organization lives up to the company's core values and is not involved in or linked to unethical business practices, there has been a Code of Conduct established since 2004. This includes general rules for how the company conducts its business and how its employees are to act toward each other and in business relationships. The Code is reviewed each year to ensure it remains relevant. The Code includes principles on business ethics, relationships to employees, respect for human rights and the environment. All employees are educated in the Code as part of their introduction and through refresher courses. To ensure that SCA works with business partners that share these values, potential partners are evaluated before cooperation is initiated. The evaluation comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics. Suppliers are expected to comply with SCA's Supplier Standard, which is regulated as a part of the supplier agreements. SCA uses a number of methods to monitor and safeguard the implementation of the Code of Conduct. These include checks in connection with acquisitions, risk evaluation of the company's own units and suppliers, and regular on-site audits of SCA's units and of suppliers deemed to have a higher risk level. Employees are encouraged to report violations. A whistleblower system is in place and suspected violations are handled by the company's Compliance Council.</p>
Legal risks	<p>SCA conducts operations covered by laws and various regulatory systems, much of which requires permits. SCA may be subject to commercial disputes and other legal procedures.</p>	<p>SCA monitors legal developments in various areas to ensure regulatory compliance and takes the measures required to comply with regulatory changes and provides SCA employees with relevant training. SCA is also a member of trade associations to safeguard the company's interests on legal issues. SCA's facilities continuously monitor their environmental impact and compliance with permits issued.</p>

Risk	Description of risk	Management and comments for the year
Reputational risk	Events may occur that damage SCA's reputation. This could, for example, concern an employee, contractor or other supplier who fails to comply with laws and regulations or policy documents, including SCA's Code of Conduct. SCA could also be affected by accidents that damage the reputation of SCA and its ability to conduct the business in a safe and efficient manner.	SCA performs training sessions to ensure that knowledge about regulations is transferred to SCA's employees and works to ensure that co-owned operations and staff in these companies comply with similar requirements. SCA has a Global Supplier Standard to ensure that SCA's suppliers and contractors adhere to the requirements imposed by SCA. SCA has systems in place to handle sudden events, such as accidents, that risk damaging confidence in SCA. The company has a procedure to ensure that new partners share SCA's values before initiating a business collaboration. Whenever necessary, audits are conducted on-site to monitor that SCA's performance levels are met. SCA regularly updates information on the company's website to satisfy the needs of different stakeholders.
Risks linked to the forest portfolio	SCA is Europe's largest private forest owner, with 2.6 million hectares of forest land, of which 2 million hectares is productive forest land. There is a risk that the value of the forest portfolio decreases through infestation by pests and grazing moose, by storms or fire. The value can also change through variations in demand for wood raw material in SCA's region, which in turn would impact price levels in the region. SCA's forest management may conflict with the activities of reindeer herding Sami pertaining to land use. This may also be the case for land leased out for wind power projects.	SCA works proactively to improve forestry methods and seedlings to enhance forest growth. Active forest operations combined with an industry that adds value to the forest raw material is essential to secure the value of the forest asset. Since 1950, the sustainable harvesting level has more than doubled at the same time as the standing volume has increased by about 60%. The risk of infestation by pests is managed through diligent site preparation and special protection against pine weevils. The stock of grazing moose is managed by SCA issuing hunting licenses on its land. SCA's forest land is spread across large areas of Northern Sweden, which means forest fires and storms can usually only impact a minor part of the forest. The forest is therefore not insured. SCA consults the relevant Sami communities in connection with forestry operations and wind power projects on SCA's land. The consultation could cover conservation measures during harvesting (time), fertilization, site preparation and choice of tree species when planting new forest. For wind power projects, consultation may be carried out concerning the size of the wind farm, its impact on reindeer herding and impact on Sami communities.
Biodiversity	SCA uses large quantities of forest raw material which is partly from its own forest and partly from other landowners. All harvesting and replanting involves a risk of impacting biodiversity.	SCA's objective is to manage the company's forest to make it at least as rich in biodiversity, nature experiences and raw material in the future as it is today. SCA is pursuing long-term and responsible forest management where nature conservation is included in all forest operations. SCA strives to preserve and strengthen biodiversity in several ways. SCA makes voluntary set-asides where the company's forests with the highest conservation value are set aside from forest management, taking into account conservation during final felling, using alternative forms of production and taking targeted action, such as restoring wetlands. SCA's forestry management and timber procurement is certified under FSC and PEFC. During the year, the company's holdings in Estonia and Latvia were certified under FSC and PEFC. SCA actively refrains from purchasing timber from controversial sources. As a minimum requirement, the timber must comply with FSC's Controlled Wood Standard.
Risks at production plants	SCA has 16 production facilities, primarily in Sweden but with some manufacturing in the UK. SCA also owns facilities for distribution, such as forest roads, timber terminals and port facilities in Sweden. Poor health and safety practices at the production facilities may cause ill health or a workplace accident with substantial consequences for individual employees. Some of the facilities conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could damage the plant in question and also cause delivery problems. When major projects are undertaken, there is a risk of disruption in the existing operations.	SCA has a vision of zero workplace accidents and is actively and systematically running a health and safety program to minimize the risk of personal injury and ill health. SCA is proactive in preventing accidents and in minimizing the impact of accidents, should they happen. The aim is to effectively and cost efficiently protect the employees, local residents, the environment, the company's assets and the business, and to minimize SCA's risk management costs. The loss-prevention work is conducted in accordance with established guidelines that include inspections and benchmarking with other plants, within and outside SCA. Other important elements of loss-prevention activities include maintenance of plants, staff training, good orderliness, and documentation. Production facilities work continuously to reduce their risks by using, for example, risk assessments and continuous improvements. All wholly owned plants are insured with market-leading insurance companies to replacement cost and for the loss of contribution margin. In order to minimize the impact of projects on ongoing operations, separate project organizations are created to work together with the existing operations to conduct regular follow-ups that quickly identify any disruption and take corrective action.
Impact of political decisions	SCA's operations are influenced by political decisions and administrative rules, primarily in Sweden where SCA has much of its business, but also at EU level. This influence could be from general regulations, such as taxation and financial reporting. SCA is also impacted by more specific regulations, such as the granting of permits in accordance with the Environmental Code in Sweden and political decisions concerning transportation and forest operations in Sweden. Political decisions can have an impact on future harvesting levels. One important individual political decision is the UK's decision to leave the EU (Brexit). The UK is one of SCA's most important markets and accounts for about 18% of SCA's net sales.	SCA is working to monitor and evaluate changes in its surroundings and amended legislation, and to identify actions that lead to a change in circumstances for the company. SCA is also a member of national and international trade associations. A few key areas for SCA include global energy and environmental legislation, requirements for biofuel and the use of recovered fiber. SCA monitors developments in prioritized areas, such as resource consumption in general and, more specifically, regarding issues relating to waste and emissions to water and air. It is important for SCA to monitor EU emission rights trading, regulations concerning waste and circular economy initiatives. Even after the UK's exit from the EU, the country will still need to import wood products, pulp and paper. There are no expectations today of any material changes in UK import duties or similar restrictions on SCA's products. Assuming a strong UK economy and stable exchange rates, SCA expects to maintain a significant volume of sales in the UK. Approximately half of SCA's net sales in the country are purchased from local suppliers. SCA's non-current assets in the UK amount to less than 1% of SCA's total non-current assets.

Risk	Description of risk	Management and comments for the year
Customer dependency	In 2019, SCA's ten largest customers accounted for about 32% of SCA's net sales. The risk of too great a dependency on an individual customer is that lost sales from an individual customer could have a negative impact on SCA's earnings.	SCA works continuously in building relations with new customers in order to reduce the consequences of lost sales from established customers. Generally, customers in the pulp and paper segment are major companies, such as tissue manufacturers, media companies and corrugated board manufacturers. Within Wood, SCA has developed completely new customer segments over the years. Traditionally, solid-wood products are distributed by general wholesalers. In addition to this, SCA has built up business relationships with distributors in the building materials trade, which are more focused on distribution to consumers, including the DIY segment. For this category, SCA often distributes the products directly to each customer's store. In addition, certain components are manufactured for sale directly to the industry.
Suppliers	SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in manufacturing. Suppliers that fail to comply with SCA's Supplier Standard could also cause problems for SCA.	To reduce this risk, SCA has supply contracts with multiple suppliers. For timber supplies that are not covered by harvesting in the company's own forests, SCA has built up a sourcing organization with about 80 timber purchasers, distributed between local offices across the region. Through this organization, SCA has relationships with approximately 18,000 private forest owners in the region. SCA may also sell silvicultural services to these forest owners. About 120 contractors are responsible for most of the harvesting, about 100 for transportation to SCA's industries and around another 70 for forest management. For the majority of important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for facilities. An SCA Supplier Standard has been established that, for example, addresses working conditions, health and safety and business ethics. SCA's suppliers must agree to follow the standard and may be required to undergo an audit. The audits are planned and carried out from a risk perspective.
IT security and IT risks	SCA relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production and important business processes. Errors in the handling of financial systems can affect the company's reporting. The risk of unauthorized intrusion into SCA's systems may result in financial losses and other damage. These risks grow in an increasingly technically complex and interlinked world.	SCA has established a management model for IT that includes governance, standardized IT processes and an organization for IT security. The IT security work includes a continuous risk assessment, the introduction of preventive measures and use of security technology. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-established systems. During the year, work continued to adapt and develop the company's approach to the General Data Protection Regulation (GDPR).
Employee-related risks	SCA must have access to skilled and dedicated employees, an ability to attract and retain new talent and safeguard the availability of competent managers to achieve established strategic and operational objectives.	SCA works in a structured manner to ensure the health and well-being of its employees through proactive preventative healthcare activities, such as education, exercise, special initiatives, for example to help employees quit smoking, and by offering health checks. Drug tests are performed before employment and as random tests during the year. SCA strives for healthy and accident-free workplaces and has established a number of procedures to this end. SCA carries out a number of programs to strengthen and develop managers. Focus during the year has been on change management. An established succession planning program ensures a supply of managers to the operations. SCA's strategic skills supply planning secures access to employees with the right expertise at the right time. Employee skills are developed through practical training, coaching and formal education. The need for skills development is decided at the annual target and performance management reviews. Recruitment can take place both externally and internally. Job vacancies are advertised on a portal available to all employees, which encourages internal mobility. The company uses targeted initiatives to attract critical expertise and to strengthen the employer brand. Salaries and other conditions are to be adapted to the market and linked to SCA's business priorities. SCA strives to maintain good relationships with union organizations.

Financial risks

Risk	Description of risk	Management and comments for the year												
Currency	<p>SCA's focus on exports makes SCA's operations highly dependent on currency. About 85% of sales are conducted in currencies other than SEK. Most purchasing is conducted in SEK. Only a minor share of purchasing is carried out in other currencies. Fluctuations in currency rates have a substantial impact on SCA's revenue and thereby on earnings.</p>	<p>The table shows the net exposure for the three largest currencies in 2019, and the total of other foreign currencies, measured as sales in each foreign currency less purchases in the same currency. In accordance with SCA's Financial Policy, this exposure is hedged as follows:</p> <p>All balance-sheet items in foreign currency are hedged, as is exposure in major approved and contracted investments in non-current assets. According to the policy, transaction exposure regarding expected future net flows may also be hedged for up to 18 months. At December 31, 2019, SCA had hedged about 70% of the expected net EUR exposure from sales less purchases in the first six months of 2020, about 50% for the third quarter and approximately 25% for the fourth quarter 2020 at the average EUR/SEK exchange rate of 10.63. SCA had hedged about 65% of the expected net USD exposure from sales less purchases in the first six months of 2020, about 40% for the third quarter and approximately 15% for the fourth quarter 2020 at the average USD/SEK exchange rate of 9.28.</p> <p>Translation exposure, meaning the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK, is less important to SCA as the total assets in these companies only amount to 2% of SCA's total assets. Translation exposure in the foreign subsidiaries is not currency-hedged.</p> <table border="1"> <thead> <tr> <th>Net exposure</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>EUR 482m</td> </tr> <tr> <td>USD</td> <td>USD 539m</td> </tr> <tr> <td>GBP</td> <td>GBP 136m</td> </tr> <tr> <td>Others (translated to SEK)</td> <td>SEK 776m</td> </tr> <tr> <td>Total</td> <td>SEK 12,624m</td> </tr> </tbody> </table>	Net exposure	2019	EUR	EUR 482m	USD	USD 539m	GBP	GBP 136m	Others (translated to SEK)	SEK 776m	Total	SEK 12,624m
Net exposure	2019													
EUR	EUR 482m													
USD	USD 539m													
GBP	GBP 136m													
Others (translated to SEK)	SEK 776m													
Total	SEK 12,624m													
Credit risk	<p>Credit risk refers to the risk of losses due to a failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.</p>	<p>Credit exposure in accounts receivable amounted to SEK 2,313m as per December 31, 2019. Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. Credit limits are set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be received based on an individual assessment of each customer. The financial credit exposure, in which the counterparty is a financial actor or a pension fund manager, amounted to SEK 1,698m as per December 31, 2019. This exposure includes credit risk of SEK 454m for cash and cash equivalents and credit exposure in derivative instruments amounting to SEK 105m. The objective is that financial counterparties must have a credit rating of at least A- from at least two credit rating institutes.</p>												
Liquidity and refinancing risk	<p>Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.</p>	<p>As of December 31, 2019, SCA's gross debt amounted to SEK 10,140m and the average duration, including unutilized credit facilities, to 4.5 years (4.7 taking into account lease liability in accordance with IFRS 16). Unutilized credit facilities amounted to approximately SEK 5,000m at the end of the year, and cash and cash equivalents to SEK 454m. To ensure good access to loan financing, SCA strives to achieve an investment grade rating. On May 23, 2019, the credit rating agency Standard and Poor's (S&P) confirmed SCA's credit rating of "BBB" with a stable outlook. SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's annual sales. SCA limits its refinancing risk by having a good distribution in the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, taking into account unutilized credit facilities. Surplus liquidity should primarily be used to amortize external liabilities. As of December 31, 2019, SCA's financing mainly comprised credit facilities from a group of four banks with high credit ratings, bilateral loans from the Swedish Export Credit Corporation, the European Investment Bank and the Nordic Investment Bank as well as issued bonds and commercial papers.</p>												
Interest rate risks	<p>Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA.</p>	<p>SCA's policy is that the average fixed-rate period shall be within the interval 3–36 months. SCA's average interest period for the gross debt, including derivatives and excluding lease liability in accordance with IFRS 16, was about 17 months as of December 31, 2019. The risk is managed using fixed-interest loans or through interest rate derivatives. A sensitivity analysis is presented in Note E7.</p>												

Corporate governance

Corporate governance aims to ensure SCA's commitments to all of its stakeholders, including shareholders, customers, suppliers, creditors, society and employees. In addition, corporate governance supports the company's long-term strategy, market presence and competitiveness.

Corporate governance shall be reliable, clear, straightforward and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for SCA's 2019 Annual Report in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act (1995:1554). The report has been reviewed by the company's auditor.

Corporate governance, including remuneration, pages 69–79.

This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration in SCA and internal control in the Group are also included here. SCA applies the Swedish Corporate Governance Code without any exceptions, observing the changes made to the Code on January 1, 2020 (www.corporategovernanceboard.se).

Risks and risk management, pages 64–68

SCA's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-

wide level. The section dealing with risk management describes the most significant risks, and the governing documents and measures that the Group applies to manage these.

Sustainability, pages 46–55 and 133–155

SCA's sustainability work is an integral part of the company's business model and operations. The sustainability work helps the company reduce risks and costs, strengthen competitiveness, and attract talent and investors. The President and CEO bears the overall responsibility for the control of SCA's business in the field of sustainability. SCA has a Group Function in charge of sustainability, led by SCA's Sustainability Director. The work is coordinated through the Group's Sustainability Council and a number of cross-disciplinary networks.

Governance at SCA

Shareholder meeting/Annual General Meeting

The shareholders' meeting is SCA's highest decision-making body, where all shareholders are entitled to attend, to have a matter considered and to vote in respect of all shares held by the shareholder. According to its Articles of Association, SCA has two listed classes of shares: Class A and Class B shares. Every Class A share represents 10 votes and every Class B share represents one vote. The Annual General Meeting (AGM) is the name of the annual shareholders' meeting at which the annual report is presented. Among other matters, the company's Board of Directors and the Chairman of the Board are elected at the AGM. The AGM also appoints the company's auditors.

Nomination Committee

The Nomination Committee represents the company's shareholders and is charged with the task of preparing proposals for adoption at the AGM with respect to election and remuneration matters and, in certain cases, proposing procedural motions for the next Nomination Committee.

Board of Directors

The Board of Directors has the overall responsibility for the company's organization and administration through regular monitoring of the business and by ensuring the appropriateness

of the organization and management team, and also compliance with guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

At the 2019 AGM, it was resolved that the Board of Directors shall comprise ten members elected by the AGM with no deputies. In addition, the Board shall include three employee representatives and three deputies.

SCA's Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles.

Chairman of the Board

The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently conducted. This includes continuously monitoring the company's operations in close dialogue with the President and CEO and ensuring that other Board members receive information that will enable high-quality discussion and decisions by the Board. The Chairman leads the assessment of the Board's and the President's work. The Chairman also represents the company in ownership matters.

Audit Committee

The company's Board has, within itself, established an Audit Committee. The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management, and it submits recommendations and proposals to ensure the reliability of reporting. The Committee keeps itself informed on the audit, reviews and monitors the impartiality and independence of the auditor and submits recommendations to the Nomination Committee as a basis for the appointment of auditor and the determination of remuneration, and information to the Board concerning the results of the audit in order to fulfill all requirements of the EU Audit Regulation and Directive. The Audit Committee sets guidelines for the procurement of services other than auditing services from the company's auditors. Lastly, the Audit Committee evaluates the audit quality and informs the Nomination Committee of the results of the evaluation.

Remuneration Committee

The company's Board also has established within itself a Remuneration Committee. The Remuneration Committee prepares the Board's motions on issues relating to remuneration principles and remuneration and other terms and conditions of employment for the President and CEO, and is authorized to make decisions in these matters for the company's other senior executives. The Committee monitors and assesses programs for variable remuneration, the application of the AGM's resolution on guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the Group.

Internal audit

At SCA, it is the employees' responsibility to ensure sound internal governance and control in the operation or process for which they are responsible. Internal audit is a separate function with the task of evaluating and improving the efficiency of SCA's internal governance and control, as well as its risk management. This function reports to the Audit Committee and the Board in relation to internal audit issues. The function examines, among other aspects, SCA's internal processes for sales, purchases, annual accounts and financial reporting, non-current assets, compensation and benefits, HR issues, information security and IT systems, various types of projects and compliance with SCA's policies including follow-up on the Code of Conduct and general instructions.

Read more about SCA's Corporate Governance at www.sca.com. This includes:

- SCA's Articles of Association
- Link to the Swedish Corporate Governance Code
- Information from previous Annual General Meetings since 2015 (notices, minutes, President and CEO's speeches) and press releases since 2012
- Information from the Nomination Committee since 2006 (composition, proposals and work done)
- Information ahead of the 2020 Annual General Meeting (notice, Nomination Committee proposals including the Audit Committee's recommendation, Board proposal for principles for remuneration of senior executives, information on routines for notifying attendance to the Meeting, etc.)
- Earlier Corporate Governance Reports, since 2007

President and CEO and Executive Management

SCA's President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President is supported by the Executive Management Team, the work of which is led by the President. The Executive Management Team comprises the President, the CFO, the Presidents of the Business Areas Forest, Paper, Pulp, Wood and Renewable Energy and the President for the support unit Sourcing and Logistics. Further, the Senior Vice Presidents of the Group functions Human Resources, Legal Affairs, Communications and Strategic Development are also members of the team. The working procedures for the Board of Directors and terms of reference issued by the Board of Directors to the President and CEO detail, for example, the division of work between the Board and President. In consultation with the Chairman of the Board, the President prepares documentation and background information for the Board's work.

Internal rules and regulations include

- Articles of Association
- Working procedures of the Board of Directors
- Terms of reference issued by the Board to the President and CEO
- Code of Conduct
- Other policy documents established by the Board and instructions established by the President and CEO.

External rules and regulations include

- The Swedish Companies Act
- International Financial Reporting Standards (IFRS)
- Nasdaq Stockholm's rules for issuers
- Swedish Corporate Governance Code
- Relevant EU regulations

COMPLIANCE WITH STOCK MARKET REGULATIONS

In 2019, SCA was not sanctioned by the Swedish Financial Supervisory Authority, the stock exchange's disciplinary board or any other authority or self-regulating body for violations of the rules concerning the stock market.

SCA adheres to the principle of distinct decentralization of responsibility and authority. The business areas are fully responsible for developing their respective operations through established objectives and strategies, a process that is also centrally coordinated. Each business area is responsible for its operating result, capital and cash flow. The position of the business and results are followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are conducted during which the management of each business area personally meet with the President, the CFO and others. These meetings function as a complement to the daily monitoring of operations.

External auditors

The company's auditor, elected at the Annual General Meeting, examines SCA's accounting, the Group's annual report and sustainability report, the Board's and President and CEO's administration and the annual reports of subsidiaries, and submits an audit report.

The audit is performed in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden, which also includes a review of compliance with the Swedish Companies Act and the Swedish Annual Accounts Act.

Activities during the year

Annual General Meeting

The AGM was held on Wednesday, March 20, 2019 in Sundsvall. A total of 584 shareholders were represented at the Meeting, either personally or by proxy, representing approximately 64.8% of the votes in the company. Eva Hägg, Attorney-at-Law, was elected Chairman of the Meeting.

The Meeting resolved that a dividend of SEK 1.75 per share be paid for the 2018 fiscal year. The AGM decided on the re-election of Board members Pär Boman, Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson, Martin Lindqvist, Lotta Lyrå, Bert Nordberg, Anders Sundström and Barbara Milián Thoralfsson. Pär Boman was re-elected as the Chairman of the Board. Ernst & Young was reelected as auditor for the period until the 2020 AGM. Moreover, guidelines for determining the salary and other remuneration of the President and other senior executives were adopted; see Note C3.

The minutes of the Meeting in full and information on the 2019 AGM, including the President's speech, are available at www.sca.com.

Nomination Committee

The 2017 AGM decided that the following procedure for appointing the Nomination Committee is to apply until further notice. The Nomination Committee is to comprise representatives from the four largest shareholders in terms of voting rights as per the shareholders' register maintained by the company on the final banking day of August, as well as the Chairman of the Board. The Chairman of the Board is to convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of votes is to be appointed as Chairman of the Nomination Committee. If necessary, due to subsequent ownership changes, the Nomination Committee is entitled to call

on one or two additional members from among the next largest shareholders in terms of voting rights, so that the total number of members amounts to not more than seven. In the event that a member steps down from the Nomination Committee before the task is completed and the Nomination Committee decides it would be beneficial for a replacement to be appointed, such a replacement is to be appointed by the same shareholder or, if this shareholder is no longer among the largest shareholders in terms of voting rights, by the largest unrepresented shareholder in terms of voting rights. Changes to the composition of the Nomination Committee are to be disclosed immediately. The composition of the Nomination Committee is to be disclosed not later than six months prior to the AGM. No remuneration is to be paid to the members of the Nomination Committee. Any expenses incurred during the work of the Nomination Committee are to be paid by the company. The mandate period of the Nomination Committee extends until the composition of the next Nomination Committee is disclosed. The Nomination Committee is to submit proposals relating to the Chairman of the General Meeting, the Board of Directors, the Chairman of the Board, Board fees for the Chairman of the Board and each of the other Board members, including remuneration for committee work, the company's auditors and auditors' fees.

In its work, the Nomination Committee has considered the rules that apply to the independence of Board members, as well as the requirement of diversity and breadth with the endeavor to achieve an even gender distribution and that the selection for those nominated shall be based on expertise and experience relevant to SCA.

When preparing its proposal for the election of auditors and remuneration, the Nomination Committee has also considered the Audit Committee's recommendation.

Composition of the Nomination Committee for the 2020 AGM

The composition of the Nomination Committee for the 2020 AGM is as follows:

- Karl Åberg, AB Industrivärden, Chairman of the Nomination Committee
- Petter Johnsen, Norges Bank Investment Management
- Anders Oscarsson, AMF Insurance and Funds
- Mikael Hallåker, Handelsbanken Pension Foundation, among others
- Pär Boman, Chairman of the Board, SCA

Shareholders have had the opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2020 AGM is presented in the notice convening the AGM on SCA's website www.sca.com. The 2020 AGM will be held on March 31.

The Nomination Committee was convened on three occasions up to January 31, 2020. The Chairman of the Board has presented the Board evaluation and provided the Nomination Committee with information regarding Board and committee work during the year.

Diversity policy

When preparing proposals for the Board for the 2019 AGM, the Nomination Committee has applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. The policy aims to ensure that the Board has – with regards to the company's operations, stage of development and circumstances in general – an appropriate composition characterized by diversity and breadth as regards the AGM-elected members' expertise, experience and background, with the endeavor to achieve an even gender ratio. The 2019 AGM resolved in accordance with the Nomination Committee's proposal, which meant ten members were elected, of which four were women and six men. When preparing proposals for the Board for the 2020 AGM, the Nomination Committee has worked with and applied the diversity policy in a corresponding manner, which resulted in the proposal for the Board described in the notice convening the AGM.

The Nomination Committee's proposal entails the appointment of ten Board members, of which four are women and six men.

Board of Directors

SCA's Board of Directors comprises ten members elected by the AGM on March 20, 2019. In addition to these members, there are three employee representatives and their three deputies.

The SCA Board of Directors comprises the AGM-elected members Pär Boman (Chairman), Charlotte Bengtsson, Lennart Evrell, Annemarie Gardshol, Ulf Larsson (President and CEO), Martin Lindqvist, Lotta Lyrå, Bert Nordberg, Anders Sundström and Barbara Milian Thoralfsson.

The independence of Board members is presented in the table on page 73. SCA complies with the requirements of the Swedish Code of Corporate Governance that stipulate that not more than one member elected by the AGM shall be a member of company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the AGM-elected Board members have experience of the requirements incumbent upon a listed company.

The following three employee representatives were appointed to the Board for the period until the 2020 AGM: Roger Boström, Johanna Viklund Lindén and Hans Wentjär, and their deputies Per Andersson, Maria Jonsson and Stefan Lundkvist. Further information concerning the Board members can be found on pages 76–77.

Board activities

In 2019, the Board was convened 16 times. The Board has established working procedures. The working procedures describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. The Board also establishes and evaluates the company's overall objectives and strategy and decides on significant internal rules. Another task is to continuously monitor the internal control and compliance of the company and its employees with internal and external rules, and that the company has well-functioning procedures for

market disclosures. On a regular basis throughout the year, the Board also deals with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditor regularly presents a report on the audit work and these issues are discussed by the Board.

Board activities in 2019, in addition to standard duties, have involved strategy issues, training and site visits for the Board members to SCA's business areas.

Evaluation of the Board's work

The work of the Board, as that of the President, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with relevant analysis for its nomination work. In 2019, the evaluation took the form of an anonymous questionnaire and interviews as well as group and individual discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the full results of the evaluation.

Audit Committee

The Audit Committee comprises Barbara Milian Thoralfsson (Chairman), Pär Boman and Martin Lindqvist. The Audit Committee held seven meetings in 2019. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of internal control procedures and the measurement of the Group's forest assets. The Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors and remuneration.

Remuneration Committee

The Remuneration Committee comprises Pär Boman (Chairman), Bert Nordberg and Lennart Evrell. The Remuneration Committee held six meetings in 2019. Activities in 2019 mainly concerned proposals for new guidelines for remuneration of senior executives, remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

Internal audit

The basis of the work with internal audit is a risk-based annual plan. The plan derives from a risk assessment process based on documentation from operations, management and the Board. The annual plan is approved by the Audit Committee. In 2019, 14 internal audit assignments were conducted. Observations from the assessments are reported to the Audit Committee.

During 2019, work included follow-up of the organization's work concerning the effectiveness of internal controls and monitoring regulatory compliance, which primarily consisted of SCA's control documents, including the Code of Conduct.

External auditors

The 2019 Annual General Meeting appointed accounting firm Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Hamish Mabon, Authorized Public Accountant, would be the auditor in charge. Hamish Mabon is also the auditor for Skanska AB, Essity AB, Husqvarna AB and SEB. The auditor owns no shares in SCA.

In accordance with its working procedures, the Board met with the auditor at six scheduled Board meetings in 2019. The auditor also attended each meeting of the Audit Committee. At these meetings, the auditor presented and received opinions on the focus and scope of the planned audit and delivered verbal

audit and review reports. Further, at the Board's third scheduled autumn meeting, the auditor delivered a preliminary report on the audit for the year. The working procedures specify a number of mandatory issues that must be covered. These include matters of importance that have been a cause for remark or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditor shall also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditor questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

Board of Directors and committees

Names	Elected	Depen- dence	The Board of Directors	Attendance	Audit Committee	Attendance	Remuneration Committee	Attendance
Pär Boman	2010	●	Chairman	16	Board member	7	Chairman	6
Charlotte Bengtsson	2017	●	Board member	16				
Lennart Evrell	2017		Board member	16			Board member	6
Annemarie Gardshol	2015		Board member	16				
Ulf Larsson	2017	●	Board member	16				
Martin Lindqvist	2017		Board member	16	Board member	7		
Lotta Lyrå	2017		Board member	16				
Bert Nordberg	2012		Board member	16			Board member	6
Anders Sundström	2018		Board member	16				
Barbara Milian Thoralfsson	2006		Board member	16	Chairman	7		

- Dependent in relation to the company's major shareholder – Industrivärden
- President of SCA – Dependent in relation to the company and corporate management
- Dependent in relation to the company and corporate management – President of Skogforsk

The largest shareholders

As of December 31, 2019, AB Industrivärden was the company's largest shareholder, with a holding totaling 33,785,290 Class A shares and 34,575,273 Class B shares, corresponding to 9.7% of the total number of shares and 29% of the total number of votes in the company. No other shareholder in the company has a direct or indirect shareholding whose voting rights represent one-tenth or more of the total number of votes in the company.

	Number of meetings in 2019
The Board of Directors	16
Audit Committee	7
Remuneration Committee	6

Remuneration, Executive Management Team and Board of Directors

Guidelines

The 2019 Annual General Meeting adopted guidelines for remuneration of senior executives. The total remuneration package comprises a fixed salary, variable salary, other benefits, and a pension. See Note C3.

Remuneration of the President and CEO and other senior executives

Remuneration of the President and other senior executives is presented in Note C3.

Variable remuneration and strategic targets

Programs for variable remuneration are designed to support the Group's strategic targets. The short-term program is individually adapted and based mainly on profit, cash flow and capital efficiency. The long-term program is based on the SCA share's long-term total shareholder return.

Remuneration of the Board

The total remuneration of the AGM-elected Board members is presented in Note C4.

Internal control and financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting. The Board bears the overall responsibility for financial reporting. Its working procedures regulate the internal division of work between the Board and its committees.

The Audit Committee has an important task of preparing the Board's work to assure the quality of financial reporting. This preparation work includes issues relating to internal control and regulation compliance, control of recognized values, estimations, assessments and other activities that may impact the quality of the financial statements. The Committee has charged the company's auditor with the task of specifically examining the degree of compliance in the company with the rules for internal control, both general and detailed.

Financial reporting to the Board

The Board's formal work plan stipulates which reports and information of a financial nature shall be submitted to the Board at each scheduled meeting. The President ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

External financial reporting

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the six-month report and of the company's administration and internal control is carried out.

Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. There is also a common system for reporting annual accounts. SCA's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income statement and balance sheet items are compared with earlier reports, budgets and other forecasts.

Control activities and follow-up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Finance Function and are accessible on the Group's intranet. The Group Finance Function is responsible for ensuring compliance with instructions and guidelines. Process owners at various levels within SCA are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business areas and support units' finance and controller organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. The company's control activities are supported by the budgets prepared by each unit and updated during the year through regular forecasts.

SCA has a standardized system of control measures involving processes that are significant to the company's financial reporting, among other matters. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question. Control of these processes is assessed and updated through self-evaluation followed up by a review through the internal control function. In some cases, SCA has enlisted help to validate these control measures from the internal auditors and external parties.

Financial results are reported and examined regularly within the management teams of the operating units and communicated to SCA's management at monthly and quarterly meetings. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until closing.

The Board follows up to ensure that the internal control and reporting to the Board functions through continuous reporting from the President and CFO and through reporting from the internal audit unit in the scope of the audit plan set annually. Internal audit also continuously reports its observations in this respect to the Audit Committee. Internal audit's tasks include following up compliance with the company's policies. The results of this follow-up are reported to the Board through the Audit Committee.

Internal control of other processes

The basis for the internal control is identifying and assessing risks. A review of identified risks is conducted every year with the addition of any new identified risks. At the same time, an evaluation is carried out of the potential impact of the risks on profits and the brand, and the probability that the risk will occur.

Risks that threaten business objectives are linked to the company's processes. For each process and identified risks, the control activities are defined that must be established to manage risks, and a description of how self-assessments are used to monitor the effectiveness of the control activities.

Control activities to mitigate the identified risks are documented, and the effectiveness of each control is tested on an annual basis through self-assessments. The Group's internal control function summarizes the result of the self-assessments and reports to management and the Board.

Activities in 2019

In 2019, SCA has continued to develop the framework for internal control. The scope of the self-assessment of control procedures has been extended to include more processes and units. The results of the self-assessment have been reported to the Board.

Board of Directors and Auditors



Pär Boman (1961)
Engineering and Business/Economics degree

Chairman of the Board since 2015. Chairman of the Board of Svenska Handelsbanken AB and Essity AB, Deputy Chairman of the Board of AB Industrivärden and member of the Board of Skanska AB. Former President of Handelsbanken during the period 2006 to 2015.

Elected: 2010
Class B shares: 10,000

Independent of the company and corporate management.



Charlotte Bengtsson (1971)
MSc Civil Engineering, PhD in Steel and Timber Structures

President of Skogforsk. Board member of Södra's Research Foundation, Norrskog's Research Foundation, the Nils and Dorthi Troedsson's Research Foundation.

Elected: 2017
Class B shares: 2,360

Independent of SCA's major shareholders.



Lennart Evrell (1954)
MSc Eng. and Econ.

Board member of Epiroc, ICA, the Confederation of Swedish Enterprise and Industriarbetsgivarna. Former President of Boliden, Sapa and Munters.

Elected: 2017
Class B shares: 4,000

Independent of the company, corporate management and SCA's major shareholders.



Annemarie Gardshol (1967)
MSc Eng.

President and CEO on PostNord Group AB, President of PostNord Sverige AB. Board member of Essity AB. Former President of PostNord Stålfors Group AB and various management positions at PostNord and Gambro AB as well as management consultant at McKinsey & Company.

Elected: 2015
Class B shares: 6,200

Independent of the company, corporate management and SCA's major shareholders.



Ulf Larsson (1962)
BSc Forestry

President and CEO of SCA. Board member of The Swedish Forest Industries Federation, Handelsbanken Region Umeå, CEPI, member of the Advisory Council Västernorrland County and deputy board member of Industriarbetsgivarna. Former President of SCA Forest Products AB, 2008–2016, as well as other senior positions at SCA Skog, SCA Timber and Domänverket.

Elected: 2017
Employed since: 1992
Class A shares: 1,000, B shares: 100,000

Independent of SCA's major shareholders.



Martin Lindqvist (1962)
Engineer and Master of Business Administration

President and CEO of SSAB. Chairman of the Board of Jernkon托ret, and of Stål och Metall. Deputy chair of Industriarbetsgivarna and Board member of the Confederation of Swedish Enterprise. Previously held senior positions, including at SSAB and NCC.

Elected: 2017

Independent of the company, corporate management and SCA's major shareholders.



Lotta Lyrå (1975)
MSc Econ.

President and CEO of Clas Ohlson AB. Previously held senior positions within the IKEA Group, including Head of Strategy and also Head of Development in 2009–2017. Experience in the Swedish forest industry as Head of Development at Södra Timber and Sawmill Manager at Södra's Mönsterås sawmill. Former employee of McKinsey & Company.

Elected: 2017

Independent of the company, corporate management and SCA's major shareholders.



Bert Nordberg (1956)
Engineer

Chairman of the Board of Vestas Wind Systems A/S and TDC Wind Group A/S. Board member of Essity AB and Saab AB. Previously held various management positions in Ericsson Group and Digital Equipment Corp. President of Sony Mobile Communications AB and Board member of BlackBerry Ltd, Skistar AB, AB Electrolux and Axis AB.

Elected: 2012
Class B shares: 16,800

Independent of the company, corporate management and SCA's major shareholders.



Anders Sundström (1952)
Bachelor's degree

Chairman of the board at Kaunis Holding, NMI Group, Hedlunda Industri AB and Ekhaga AB. Previously Chairman of the Board at Swedbank and CF, among others. Many years of operating experience within both the industry and the financial sector, including as CEO for Folksam. Several ministerial posts and other political assignments.

Elected: 2018
Class B shares: 6,000

Independent of the company, corporate management and SCA's major shareholders.



Barbara Milian Thoralfsson (1959)
MBA, BA

Board member of Essity AB, Hilti AG and G4S Plc. Industry advisor to EQT. President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Former member of the Boards of AB Electrolux, Telenor ASA Cable & Wireless Plc, Orkla ASA and Tandberg ASA.

Elected: 2006

Independent of the company, corporate management and SCA's major shareholders.

Employee representatives



Roger Boström (1971)
Chairman of the Swedish Paper Workers' Union dept. 167 at SCA Graphic Sundsvall AB, Östrand pulp mill
Member of the Swedish Trade Union Confederation (LO).

Appointed: 2013
Class B shares: 55



Hans Wentjärv (1963)
Chairman GS trade union, Rundvik Sawmill, SCA Timber
Member of the Swedish Trade Union Confederation (LO).

Appointed: 2017
Class B shares: 420



Johanna Viklund Lindén (1973)
Chairman Unionen, SCA Graphic Sundsvall AB/SCA Sourcing & Logistics
Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2017

Employee representatives, deputies

Per Andersson (1955)
Swedish Paper Workers Union, dept 29, SCA Obbola AB
Member of the Swedish Trade Union Confederation (LO).
Appointed 2013.

Maria Jonsson (1966)
Chairman Unionen, SCA staff functions
Member of the Council for Negotiation and Cooperation (PTK).
Appointed 2017.

Stefan Lundkvist (1977)
Chairman of Swedish Paper Workers Union, dept 158, SCA Munksund AB
Member of the Swedish Trade Union Confederation (LO). Appointed 2017.

Honorary Chairman

Bo Rydin
MSc Econ., Hon PhD Econ., Hon PhD Engineering

Auditors

Ernst & Young AB
Senior Auditor: Hamish Mabon, Authorized Public Accountant

Secretary to the Board

Jan Svedjebrant (1955)
Master of Laws
Senior Vice President, Legal Affairs Group Function, General Counsel.

Employed since: 2001
Class B shares: 11,030

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2019.

Executive Management Team



From left to right: Jerry Larsson (President, Wood), Magnus Svensson (President, Sourcing & Logistics), Ole Terland (Senior Vice President, Strategic Development), Björn Lyngfelt (Senior Vice President, Communications), Kristina Enander (President, Pulp), Jonas Mårtensson (President, Forest) Ulf Larsson (President and CEO), Mats Nordlander (President, Paper), Toby Lawton (CFO), Stina Danielsson (Senior Vice President, Human Resources), Jan Svedjebrant (General Counsel), Mikael Källgren (President, Renewable Energy).



On January 1, 2020, Katarina Nilsson assumed the role of General Counsel and joined the Executive Management. She replaces Jan Svedjebrant, who is to retire.

Katarina Nilsson
Senior Vice President Legal Affairs
and General Counsel
Master of Laws
Employed since: 2019

Ulf Larsson

President and CEO
BSc Forestry
 Employed since: 1992
 Class A shares: 1,000
 Class B shares: 100,000

Stina Danielsson

Senior Vice President,
 Human Resources
BA
 Employed since: 2005
 Class B shares: 4,256

Kristina Enander

President, Pulp
*MSc Eng. chemical engineering
 in physics*
 Employed since: 1993
 Class B shares: 9,389

Mikael Källgren

President, Renewable Energy
BSc Energy
 Employed since: 2015
 Class B shares: 2,485

Jerry Larsson

President, Wood
MSc Eng., MBA
 Employed since: 2003
 Class B shares: 5,225

Toby Lawton

CFO
MA
 Employed since: 2017
 Class B shares: 7,782

Bjorn Lyngfelt

Senior Vice President, Communications
BSc Forestry
 Employed since: 1986
 Class B shares: 11,000

Jonas Mårtensson

President, Forest
MSc Eng.
 Employed since: 2005
 Class B shares: 25,242

Mats Nordlander

President, Paper
Dipl. Eng.
 Employed since: 2015
 Class B shares: 10,875

Jan Svedjebrant

Senior Vice President Legal Affairs
 and General Counsel
Master of Laws
 Employed since: 2001
 Class B shares: 11,030

Magnus Svensson

President, Sourcing & Logistics
MSc Eng.
 Employed since: 1993
 Class B shares: 62,680

Ole Terland

Senior Vice President, Strategic
 Development
Doctor of Technology
 Employed since: 2016
 Class B shares: 44,000

Financial statements and notes

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Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement are marked with the following symbols.

IS	Consolidated income statement
OCI	Consolidated statement of comprehensive income
BS	Consolidated balance sheet
EQ	Consolidated statement of change in equity
CF	Consolidated cash flow statement

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Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement are marked with the following symbols.

PIS	Parent company income statement
POCI	Parent company statement of comprehensive income
PBS	Parent company balance sheet
PEQ	Parent Company statement of change in equity
PCF	Parent company cash flow statement

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Consolidated income statement ^{IS}

SEKm	Note	2019	2018
Net sales	B1	19,591	18,755
Other operating income	B1, B2	2,191	1,927
Change in inventories		304	588
Change in value in biological assets	D3	16,759	679
Raw materials and consumables	B3	-7,373	-6,799
Personnel costs	C1	-2,997	-3,041
Other operating expenses	B4	-7,100	-6,858
Result from participations in associated companies	F2	-14	1
EBITDA		21,361	5,252
Depreciation and impairment		-1,696	-1,250
Operating profit		19,665	4,002
Financial income	E7	54	36
Financial expenses	E7	-180	-65
Profit before tax		19,539	3,973
Taxes	B5	-4,017	-314
Profit for the period		15,522	3,659
Profit for the period attributable to:			
Owners of the Parent		15,522	3,659
Non-controlling interests		0	-
Average number of shares, millions		702.3	702.3
Earnings per share			
Earnings per share, SEK ¹⁾		22.10	5.21
Dividend per share, SEK		2.00 ²⁾	1.75

1) There are no dilution effects.

2) Board proposal.

Consolidated statement of comprehensive income **ISC**

SEKm	Note	2019	2018
IS Profit for the period		15,522	3,659
Other comprehensive income for the period:			
<i>Items that cannot be transferred to profit for the period</i>			
Transitional effect from the implementation of the new accounting standard		-	-3
Change in value in land assets	D3	18,893	-
Result from equity instruments measured at fair value		-2	-1
Remeasurement of defined benefit pension plans		444	-504
Income tax attributable to components in other comprehensive income		-3,984	111
Total		15,351	-397
<i>Items that have been or can be transferred to profit for the period</i>			
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity		-489	156
Transferred to the income statement for the period		209	-16
Hedging cost		23	-
Translation differences in foreign operations		15	19
Income tax attributable to components in other comprehensive income		53	-26
Total		-189	133
Other comprehensive income for the period, net after tax		15,162	-264
Total comprehensive income for the period		30,684	3,395
Total comprehensive income attributable to:			
EQ Owners of the Parent		30,684	3,397
EQ Non-controlling interests		0	-2

Consolidated balance sheet **BS**

SEKm	Note	2019	2018
ASSETS			
Non-current assets			
Goodwill	D1	3	3
Other intangible assets	D1	208	125
Buildings, land, machinery and equipment	D2	18,184	17,713
Forest assets	D3	69,682	33,065
<i>of which land assets</i>	D3	20,170	1,000
<i>of which biological assets</i>	D3	49,512	32,065
Right-of-use assets	D4	841	-
Holdings in associated companies	F2	367	29
Surplus in funded pension plans	C5	1,019	630
Non-current financial assets	E2	67	46
Deferred tax assets	B5	13	9
Other non-current assets		2	74
Total fixed assets		90,386	51,694
Current assets			
Inventories	D5	5,014	4,499
Trade receivables	E3	2,313	2,629
Current tax assets	B5	105	10
Other current receivables	D6	790	1,060
Current financial assets	E2	3	9
Non-current assets held for sale	G1	-	-
Cash and cash equivalents	E2	454	648
Total current assets		8,679	8,855
Total assets		99,065	60,549
EQUITY AND LIABILITIES			
Equity	E6, E8		
<i>Owners of the Parent</i>			
Share capital		2,350	2,350
Other capital provided		6,830	6,830
Reserves		14,693	-113
Retained earnings		44,637	29,995
Total equity owners of the Parent		68,510	39,062
Non-controlling interests		0	-
Total equity		68,510	39,062
Non-current liabilities			
Non-current financial liabilities	E4	5,888	5,263
Provisions for pensions	C5	522	528
Deferred tax liabilities	B5	15,780	8,269
Other non-current provisions	D8	30	22
Other non-current liabilities	D7	131	93
Total non-current liabilities		22,351	14,175
Current liabilities			
Current financial liabilities	E4	3,730	2,562
Trade payables	D9	3,336	3,368
Current tax liabilities	B5	9	120
Current provisions	D8	85	122
Other current liabilities	D7	1,044	1,140
Total current liabilities		8,204	7,312
Total liabilities		30,555	21,487
Total equity and liabilities		99,065	60,549

Consolidated statement of change in equity **EQ**

SEKm	2019	2018
Attributable to owners of the Parent		
Value January 1	39,062	36,751
OCI Total comprehensive income for the period	30,684	3,397
Cash flow hedge, transferred to cost of hedged investments	-8	-34
Tax on cash flow hedge, transferred to cost	2	7
Cash dividend	-1,229	-1,054
Acquisition of non-controlling interests	0	-
Remeasurement effect upon acquisition of non-controlling interests	-1	-5
Value December 31	68,510	39,062
Non-controlling interests		
Value January 1	-	2
OCI Total comprehensive income for the period	-	-2
Acquisition of non-controlling interests	0	-
Value December 31	0	-
Total equity value December 31	68,510	39,062

For further information, see Note E8 Equity.

Consolidated cash flow statement **CF**

SEKm	Note	2019	2018
Operating activities			
Profit before tax		19,539	3,973
Payments relating to efficiency program already recognized		-3	-6
T:1 Adjustment for non-cash items		-15,401	610
		4,135	4,577
Paid tax	B5	-652	-229
Cash flow from operating activities before changes in working capital		3,483	4,348
Cash flow from changes in working capital			
Change in			
Inventories		-605	-1,025
Operating receivables		473	-694
Operating liabilities		-54	876
Cash flow from operating activities		3,297	3,505
Investing activities			
Company and asset acquisition		-1,115	-
Divestments		370	-
T:2 Investments in intangible and tangible fixed assets		-2,289	-3,086
T:2 Sale of tangible fixed assets		-	117
Acquisition of financial assets		-26	-
Cash flow from investing activities		-3,060	-2,969
Financing activities			
Loans raised	E4	1,011	3,686
Amortization of debt	E4	-228	-3,068
Dividend ¹⁾		-1,229	-1,054
Cash flow from financing activities		-446	-436
Cash flow for the period		-209	100
Cash and cash equivalents, January 1		648	538
Exchange differences in cash and cash equivalents		15	10
Cash and cash equivalents, December 31	E2	454	648

1) Including dividend to non-controlling interests.

T:1 Adjustment for non-cash items, SEKm	2019	2018
Depreciation and impairment of non-current assets	1,696	1,250
Fair-value measurement of forest assets	-16,759	-679
Gain/loss on asset sales and swaps	-202	-52
Other	-136	91
Total	-15,401	610

T:2 Net investments in intangible and tangible fixed assets, SEKm	2019	2018
Current net investments in intangible and tangible fixed assets	-1,033	-1,002
Strategic net investments in intangible and tangible fixed assets	-1,256	-1,967
Total	-2,289	-2,969

For information concerning the Group's liquidity reserve, refer to the risk section on page 64.

A. ACCOUNTING PRINCIPLES AND APPLICATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

A1. GENERAL ACCOUNTING PRINCIPLES AND NEW ACCOUNTING RULES

Reading instructions

General accounting principles **AP** and new accounting rules are presented below. Other accounting principles considered material by SCA are presented in conjunction with the respective notes. The same principles are usually applied in both the Parent Company and the Group. In some cases, the Parent Company applies principles other than those used by the Group and, in such cases, these principles are specified under the respective note in the section about the Parent Company.

Key assessments and assumptions **KAA** are presented under the respective notes. The preparation of financial statements in conformity with IFRS (International Financial Reporting Standards) and generally accepted Swedish accounting principles requires assessments and assumptions to be made that affect recognized asset and liability items and income and expense items, respectively, as well as other information disclosed. These assessments and assumptions are often based on historical experience, but also on other factors, including expectations of future events. With other assessments and assumptions, the result may be different and the actual result will seldom fully concur with the estimated result.

In SCA's opinion, the areas that are impacted the most by assessments and assumptions are:

Segment reporting and revenue from contracts with customers, Note B1
Taxes, Note B5
Remuneration after employment, Note C5
Forest assets, Note D3
Right-of-use assets and lease liabilities, Note D4

Amounts that are reconcilable to the income statement, balance sheet, equity and cash flow statement and tables in notes are marked with the following symbols.

IS	Income statement
OCI	Statement of comprehensive income
BS	Balance sheet
EQ	Equity
CF	Cash flow statement
Tx:x	Reference to table in note

Basis for preparation

The SCA Group's financial statements are prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as adopted within the EU, and the Swedish Financial Reporting Board, Recommendation RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements are prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities, and the Annual Accounts Act. The accounts for both the Group and the Parent Company relate to the fiscal year that ended on December 31, 2019. SCA applies the historical cost method as basic principle for measurement of assets and liabilities. Biological assets and financial assets and liabilities, including derivative instruments, are, however, measured at fair value in the income statement. Land assets connected to forest assets are measured at fair value in other comprehensive income. Financial assets in the form of equity instruments not held for trading are measured at fair value in other comprehensive income. In the Parent Company, biological assets are not measured at fair value.

Changes to accounting principles

IFRS 16 Leases

IFRS 16 Leases applies from January 1, 2019 and replaces IAS 17 Leases and associated interpretations. On this date, SCA applied the modified retrospective approach, meaning that comparative figures were not restated.

The lease liability was measured at the present value of the outstanding lease payments and the right-of-use asset for all leases totaling an amount corresponding to the lease liability, adjusted for prepaid lease payments. The transition does not have any impact on equity. SCA has elected to utilize the available exemption for short-term leases and contracts for which the underlying asset has a low value. SCA has also chosen, on the first date of application, not to remeasure whether a contract is or contains a lease agreement. SCA has, as set out in the modified retrospective approach, applied the Group's incremental borrowing rate for measurement of liability. The average incremental borrowing rate on January 1, 2019 was 3.5%.

On January 1, 2019, SCA recognized a lease liability of SEK 1,211m and right-of-use assets of SEK 1,223m. The right-of-use assets include prepaid leasing expenses of SEK 12m. The lease liability resulted in an increase of SEK 1,211m in net debt. Right-of-use assets are presented in the consolidated balance sheet on the line right-of-use assets. The lease liability is presented on the line items for non-current and current financial liabilities.

A summary of the opening lease liability is presented in the table below:

Summary of the lease liability in accordance with IFRS 16

SEKm	
Operating leases, future minimum lease payments	
December 31, 2018	2,061
Non-lease components in accordance with IFRS 16	-432
Utilized exemption rules	
short-term lease	-4
leases for which the underlying asset has a low value	-9
Effect of present value calculation with incremental borrowing rate	-405
Opening lease liability January 1, 2019	1,211

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments applies from January 1, 2019. This interpretation clarifies how the requirements on accounting and measurement in IAS 12 Income Taxes must be applied when there is uncertainty surrounding the treatment of income tax. The interpretation is to be applied either retrospectively or by applying the modified retrospective approach. SCA has elected to apply the modified retrospective approach, meaning comparative figures are not restated. Following an evaluation of the interpretation, SCA found that the interpretation does not entail any material impact on the Group's financial statements.

Valuation of forest assets

In advance of the annual accounts for 2019, SCA has carried out a review of its measurement of forest assets, which resulted in a new method and new assumptions for determining the fair value of the assets. The new method means the total value of the forest is based on forest transactions in the areas where SCA owns forest assets. This change also entailed that land assets are now measured at fair value, which has led to a change in accounting principles. Land assets were previously recognized at cost, but are recognized from December 31, 2019 at fair value using the revaluation method, IAS 16 p. 31.

In combination with market transactions, and to determine the fair value of the Group's biological assets, expected future cash flows from the assets were also discounted. The calculation to establish the value of biological assets is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs. The calculation is performed for a production cycle that SCA estimates for biological assets to average 100 years. The change in value is recognized in the income statement on the line item for change in value in biological assets.

The value of land assets constitutes the residual amount between the total value in accordance with the new method to establish total market value and the value of the biological assets based on discounted cash flows. Land assets were also verified by discounting the cash flow linked to land assets to obtain the total land value. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the period. For further information concerning the recognition of forest assets, refer to Note D3.

New or amended accounting standards after 2019

No new standards will be implemented in 2020.

On January 15, 2020 changes to IFRS 9 and IFRS 7 were adopted following the reference rate reform. The changes are to be applied as of January 1, 2020 though earlier application is permitted. SCA has chosen not to apply these changes early. The changes offer temporary exemptions from the application of specific requirements of hedge accounting for hedging relationships that are directly affected by this reform. The exemptions relate to hedge accounting and are to ensure that companies are not required to terminate hedging relationships due to uncertainties concerning the reform. Currently, the reform primarily impacts SCA's cash flow hedges based on STIBOR interest rates. The implementation is not expected to have a material impact on the Group's financial statements. For further information concerning derivatives and hedge accounting, see Note E1 on page 110.

SCA does not expect any material impact on the Group arising from any other changes to existing standards.

Principles of consolidation

The Group's financial statements are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all Group companies in accordance with the definitions below. Group companies are consolidated from the date the Group exercises control or controlling influence over the company according to the definitions provided below. Divested Group companies are included in the consolidated accounts until the date the Group ceases to control or exercise controlling influence over the companies. Intra-Group transactions have been eliminated.

Subsidiaries

All companies over which the Group has a controlling influence are consolidated as subsidiaries. Controlling influence means that SCA is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns using its power to direct the activities of the subsidiary. The consolidated financial statements are prepared in accordance with the acquisition method.

Translation of foreign currency

Functional currency and translation of foreign Group companies to the presentation currency

SCA's Parent Company has Swedish kronor (SEK) as its functional currency. The functional currency of each SCA Group company is determined on the basis of the primary economic environment in which the respective company is active. The financial statements of Group companies are translated to the Group's presentation currency, which is SEK in the case of SCA. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate for the period. Translation differences on net assets are recognized as

translation differences in other comprehensive income, which is a component of translation reserves in equity.

Exchange rate effects arising from financial instruments used to hedge foreign subsidiaries' net assets are recognized in the same manner in other comprehensive income, which is a component of translation reserves in equity. On divestment, the translation difference on the foreign subsidiary and exchange rate effects on the financial instrument used to currency hedge the net assets in the company are recognized as part of the gain or loss on disposal.

Goodwill and surplus value adjustments arising in connection with the acquisition of a foreign subsidiary are to be translated, in a manner corresponding to the net assets in the company, from their functional currency to the presentation currency.

Transactions and balance sheet items in foreign currency

Transactions in foreign currency are translated to a functional currency using the rate prevailing on the transaction date. At accounting year-end, monetary assets and liabilities are translated at the closing day rate and any exchange rate effects are recognized in the income statement. In cases where the exchange rate effect is related to the operations, the effect is recognized net in operating profit. Exchange rate effects pertaining to borrowing and financial investments are recognized as other financial items. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date.

If hedge accounting has been applied, for example, for cash flow hedges or hedging of net investments, the exchange rate effect is recognized in equity under other comprehensive income.

For financial assets in the form of equity instruments that are not held for trading, the portion of the value change pertaining to currency is recognized in the income statement. Any other unrealized change is recognized in equity under other comprehensive income.

Revenue recognition

Sales revenue, which is synonymous with net sales, includes the consideration for goods and services sold within the Group's main business. This consists entirely of revenue from contracts with customers and is recognized in accordance with IFRS 15. Other operating income includes compensation for sales that are not included in the Group's main business, for instance, logistics income from SCA's transport activities, income from sales of by-products from the production of the Group's main products, income from sales of forest seedlings and gravel, lease income from hunting and fishing rights and for wind power, and capital gains from the sale of fixed assets. The translation differences on trade receivables are also recognized as other operating income. Most other operating income consists of revenue from contracts with customers and is recognized in accordance with IFRS 15. Income from the sale of self-produced energy, electricity certificates and emission allowances is recognized as reduced energy costs. Interest income is recognized in accordance with the effective interest method, meaning the estimated change in value (effective interest) is recognized as interest income or interest expense in the income statement. Dividends received are recognized when the right to receive a dividend has been established.

Government grants

Government grants are recognized at fair value when there is reasonable assurance the grants will be received and that the Group will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in the income statement during the same period as the costs. If the government grant is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income. For more information about Government grants, refer to Notes B2 and B3.

A2. APPLICATION OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES

The Annual Report refers to a number non-IFRS performance measures used to assist investors and company management to analyze the company's operations. A description of the various

non-IFRS performance measures used as a complement to the financial information reported according to IFRS is presented below.

Calculation of financial measures not included in IFRS

PERFORMANCE MEASURES		
Various types of performance measures and margin measures expressed as a percentage of sales		
Key figures	Description	Application of the measure
EBITDA	Profit before depreciation, amortization and impairment, financial items and taxes.	This measure is a complement to operating profit, as it shows the cash surplus from operations.
EBITDA margin	Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.	This measure is a complement to operating margin, as it shows the cash surplus in relation to net sales. Management uses the measure as one of the most important in controlling the company's business areas.
Operating margin	Operating profit as a percentage of net sales during the period.	Operating margin describes operating profit in relation to net sales.
Net margin	Profit for the period as a percentage of net sales for the period.	Net margin describes how large a share of net sales remains after costs and tax have been deducted.
Restructuring costs	Costs for impairment together with personnel costs in connection with structural changes to the company's operations.	This measure shows the specific costs that have arisen in connection with structural changes of an operation, which contributes to an understanding of the underlying cost level in the continuing operating activities.

CAPITAL MEASURES		
Show how capital is utilized and the company's financial strength		
Key figures	Description	Application of the measure
Capital employed	Calculated as the balance sheet's total assets excluding financial assets and pension assets, less any non-interest-bearing liabilities.	The management follows this measure to reduce the capital used in operations that is financed by owners and creditors.

SEKm	2019	2018
CAPITAL EMPLOYED		
Total assets	99,065	60,549
Financial assets and pension assets	-1,543	-1,333
Non-current, non-interest-bearing liabilities	-15,941	-8,384
Current, non-interest-bearing liabilities	-4,474	-4,750
Capital employed	77,107	46,082
CAPITAL EMPLOYED PER SEGMENT		
Forest	57,776	27,861
Wood	3,443	3,216
Pulp	9,115	8,998
Paper	7,471	6,412
Other	-698	-405
Capital employed	77,107	46,082

Key figures	Description	Application of the measure
Working capital	Working capital is calculated as current operating receivables (inventories, trade receivables and other non-interest-bearing current receivables) less current operating liabilities (trade payables and other non-interest-bearing current liabilities).	The management monitors this measure to reduce capital tied up in the balance sheet from the company's operations.

SEKm	2019	2018
WORKING CAPITAL		
Inventories	5,014	4,499
Trade receivables	2,313	2,629
Other current receivables	790	1,060
Trade payables	-3,336	-3,368
Other current liabilities	-1,044	-1,140
Adjustments ¹⁾	11	55
Working capital	3,748	3,735

1) Adjustment of non-operating-related items: receivables from electricity certificates, trade payables from strategic investments and liabilities from emission allowances.

Key figures	Description	Application of the measure
Working capital as a percentage of net sales	Calculated as an average of working capital for 13 months as a percentage of 12-month rolling net sales.	The management monitors this measure to reduce capital tied up in the balance sheet from the company's operations.
Net debt	Calculated as current and non-current financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).	Net debt describes the company's total debt financing and is monitored by the management.

SEKm	2019	2018
NET DEBT		
Net debt January 1	7,020	5,966
Net cash flow	1,150	526
Remeasurements to equity	-443	505
Lease liability	854	-
Exchange rate effects and market value changes	16	23
Net debt December 31	8,597	7,020
Surplus in funded pension plans	1,019	630
Non-current financial assets	67	46
Current financial assets	3	9
Cash and cash equivalents	454	648
Financial assets	1,543	1,333
Non-current financial liabilities	5,888	5,263
Provisions for pensions	522	528
Current financial liabilities	3,730	2,562
Financial liabilities	10,140	8,353
Net debt	8,597	7,020

Key figures	Description	Application of the measure
Debt/equity ratio	Net debt in relation to equity	Shows financial risk and is a useful measure for management to monitor the level of the company's indebtedness.

RETURN MEASURES	Return is a financial term that describes how much the value of an asset changes from an earlier point in time	
Key figures	Description	Application of the measure
Return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of average capital employed for the two most recent quarters. Industrial segments only use industrial ROCE.	Used to measure return on capital tied up in operations.
Return on capital employed, industrial ROCE	Calculated as the Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment and a share of Other activities. Strategic capital expenditures in industry that have not begun operating are excluded. This measure applies to all industrial segments.	Shows the underlying industrial return on capital employed adjusted for the ongoing strategic capital expenditures.

	Forest	Wood	Pulp	Paper	Other activities	Total Group
2019 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit, SEKm	1,528	511	453	1,498	-287	3,703
Average capital employed, SEKm	34,599	3,502	9,283	7,062	-791	53,655
Average ongoing strategic capital expenditures, SEKm	-	-	-48	182	-	134
Return on capital employed, ROCE, %	4.4%	-	-	-	-	6.9%
Return on capital employed, industrial ROCE, %	-	14.6%	4.9%	21.8%	-	11.9%
2018 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit, SEKm	1,277	685	364	1,925	-249	4,002
Average capital employed, SEKm	27,359	3,113	8,143	6,249	-442	44,422
Average ongoing strategic capital expenditures, SEKm	-	-	3,174	-	-	3,174
Return on capital employed, ROCE, %	4.7%	-	-	-	-	9.0%
Return on capital employed, industrial ROCE, %	-	22.0%	7.3%	30.8%	-	20.1%

CASH FLOW PERFORMANCE MEASURES		
Various performance measures and costs that have impacted the company's cash flow		
Key figures	Description	Application of the measure
Operating cash surplus	EBITDA with deductions for capital gains and capital losses from intangible and tangible fixed assets and the reversal of the result of participations in associated companies and the result of the forest valuation.	This measure shows cash flow generated by the income statement when calculating operating cash flow.
Operating cash flow	Operating cash flow comprises the sum of operating cash surplus and change in working capital, with deductions for current net investments in property, plant and equipment and restructuring costs.	The management control the business areas using this measure that shows the combined cash flow from operating activities that the units can themselves influence.

SEKm	2019	2018
OPERATING CASH FLOW		
Forest		
Operating cash surplus	875	663
Change in working capital	-229	-191
Current net investments	-113	-239
Restructuring costs, etc.	-1	3
Operating cash flow	532	236
Wood		
Operating cash surplus	789	902
Change in working capital	197	-188
Current net investments	-287	-210
Restructuring costs, etc.	-18	-44
Operating cash flow	681	460
Pulp		
Operating cash surplus	981	706
Change in working capital	-178	-379
Current net investments	-126	-154
Restructuring costs, etc.	39	-36
Operating cash flow	716	137
Paper		
Operating cash surplus	2,068	2,487
Change in working capital	73	-109
Current net investments	-514	-332
Restructuring costs, etc.	-166	121
Operating cash flow	1,461	2,167

Key figures	Description	Application of the measure
Cash flow from current operations	Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.	This measure illustrates the cash flow generated by operations and that can potentially be used for initiatives such as strategic capital expenditures or acquisitions.
Strategic capital expenditures in non-current assets	Strategic capital expenditures increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost competitiveness.	Shows the size of the capital expenditures that are made in expansion in production capacity and other growth measures.
Current net investments	Current net investments are made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature with deductions for compensation from divested non-current assets.	Shows the size of the capital expenditures required to maintain existing capacity in operations.

Consolidated operating cash flow statement

SEKm	2019	2018
IS EBITDA ¹⁾	5,319	5,252
Changes in value biological assets and other non-cash items	-937	-749
Operating cash surplus	4,382	4,503
Change in working capital	-186	-843
Current net investments ²⁾	-1,132	-1,002
Other operating cash flow	-142	93
Operating cash flow	2,922	2,751

1) Including the impact of the changed accounting method for the valuation of forest assets, EBITDA amounted to SEK 21,361m in the full-year 2019.

2) Includes SEK 99m from new, remeasured and terminated lease contracts in 2019.

B. SALES AND EARNINGS

B1. SEGMENT REPORTING AND REVENUE FROM CONTRACTS WITH CUSTOMERS

AP ACCOUNTING PRINCIPLES

Segments

Segments are recognized in accordance with IFRS 8 Operating Segments in a manner that complies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. At SCA, this function has been identified as the company's CEO, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. The Executive Management support the CEO in his work: see the section Corporate governance in the Board of Directors' Report on page 69.

A description of the four operating segments can be found on pages 22–41.

Revenue from contracts with customers

SCA applies IFRS 15 Revenue from contracts with customers. The standard is based on a five-step control model and requires that revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for promised goods or services to customers. The standard regulates commercial agreements (contracts) with customers in which delivery of goods and services is divided into separately identifiable performance obligations that are recognized independently. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated among the various performance obligations. Revenue is recognized when control has passed to the customer by the customer being able to use or benefit from the good or service, at which point it is deemed to have been transferred. Control may be passed at a given point in time, which is usually the case for sale of goods. In other

cases, a performance obligation may be satisfied over time, which is common for services.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

SCA has determined that control passes to the customer under IFRS 15 when the risk is transferred according to the applicable delivery terms.

SCA's contracts with customers are mainly framework agreements without established minimum volumes, which means a binding agreement in accordance with the criteria specified in IFRS 15 arises when the customer makes a call-off order. SCA's performance obligation in the contracts consists of providing the goods specified in the contracts.

The transaction price primarily consists of a fixed price per sold quantity. Variable parts, such as cash discounts, volume discounts and delivery bonuses, only occur to a small extent, and then reduce the transaction price. The transaction price is estimated at the value that is expected to accrue to SCA when entering into the agreement. The transaction price is continuously updated if the circumstances that form the basis of the estimate change. Performance obligations consist of sales of goods, which are satisfied at a point in time. The control is transferred to the customer at the same time as the risk for the goods is transferred, in accordance with the Incoterms applicable in the contract. SCA applies the Delivered At Place (DAP) terms for approximately 60% of sales revenues, meaning risk is transferred when the goods are made available to the customer at the agreed destination. For other freight terms applied, the risk is transferred when the goods are loaded on to the vessel or other freight vehicle. Payment terms follow industry practice without long credit periods.

The tables below show parts of the consolidated balance sheet and income statement broken down by operating segment: Forest, Wood, Pulp and Paper.

SEKm	Forest	Wood	Pulp	Paper	Other activities	Eliminations	Total Group
2019 fiscal year							
TB1:1 External sales	-	6,325	4,037	9,229	-	-	19,591
of which goods	-	6,325	4,037	9,229	-	-	19,591
Internal sales	6,956	-	340	-	-	-7,296	-
IS Total	6,956	6,325	4,377	9,229	-	-7,296	19,591
Other operating income	847	1,029	692	2,023	54	-2,454	2,191
of which goods	636	562	1	120	-9	-325	985
of which services	66	413	701	1,864	63	-2,134	973
of which other operating income	145	54	-10	39	-	5	233
Operating expenses	-6,063	-6,560	-4,086	-9,188	15,740	9,749	-407
Result from participations in associated companies	-	-5	-	-	-9	-	-14
EBITDA	1,740	789	983	2,064	15,785	-	21,361
Depreciation and impairment	-212	-278	-530	-566	-110	-	-1,696
IS Operating profit	1,528	511	453	1,498	15,675	-	19,665
Other disclosures							
Capital employed	57,776	3,443	9,115	7,471	-698	-	77,107
Net investments ¹⁾	-113	-289	-473	-1,417	-96	-	-2,388

1) Includes SEK 99m from new, remeasured and terminated lease contracts in 2019.

SEKm	Forest	Wood	Pulp	Paper	Other activities	Eliminations	Total Group
2018 fiscal year							
TB1:1 External sales	-	6,618	2,494	9,643	-	-	18,755
of which goods	-	6,618	2,494	9,643	-	-	18,755
Internal sales	5,455	-	372	-	-	-5,827	-
IS Total net sales	5,455	6,618	2,866	9,643	-	-5,827	18,755
Other operating income	843	949	410	1,777	120	-2,172	1,927
of which goods	744	609	-	112	14	-302	1,177
of which services	48	379	441	1,755	72	-1,871	824
of which other operating income	51	-39	-31	-90	34	1	-74
Operating expenses	-4,904	-6,664	-2,567	-8,951	-343	7,999	-15,431
Result from participations in associated companies	-	1	-	-	-	-	1
EBITDA	1,394	904	709	2,468	-223	-	5,252
Depreciation and impairment	-117	-219	-345	-544	-26	-	-1,250
IS Operating profit	1,277	685	364	1,925	-249	-	4,002
Other disclosures							
Capital employed	27,861	3,216	8,998	6,412	-405	-	46,082
Net investments	-239	-212	-2,059	-376	-83	-	-2,969

Operating segments

SCA recognizes four operating segments in accordance with IFRS 8.

The Forest segment manages 2.6 million hectares of forest land, of which 2.0 million is productive, and supplies timber to SCA's forest industry operations (Wood, Pulp and Paper). SCA harvests roughly the same volume of timber from its own forests as it purchases from other forest owners. By-products are used in energy production.

The Wood segment comprises five sawmills in Sweden, wood processing units with planing mills in Sweden and the UK, co-owned operations in France and a distribution and wholesale business. By-products are used in energy production.

The Pulp segment comprises the production of kraft pulp

(NBSK) and chemical thermomechanical pulp (CTMP). Pulp is manufactured in Östrand.

The Paper segment comprises packaging paper (kraftliner) manufactured in Obbola and Munksund, and publication paper manufactured in Ortvikén, and used for magazines, catalogs and commercial print.

Intra-group deliveries

Revenues, expenses and results for the various operating segments were affected by intra-Group deliveries. Internal prices are market-based. Intra-Group deliveries are eliminated when preparing the consolidated financial statements.

Customers

SCA's ten largest customers account for 32% (29) of the company's sales. Revenue from largest customer amounts to SEK 2,279m (2,532) and is reported in the Paper segment.

Revenue from contracts with customers

The tables below show revenue from contracts with customers in accordance with IFRS 15.

SEKm	Forest	Wood	Pulp	Paper	Other activities	Eliminations	Total Group
2019 fiscal year							
Net sales	6,956	6,325	4,377	9,229	0	-7,296	19,591
of which revenue from contracts with customers, goods	6,956	6,325	4,377	9,229	-	-7,296	19,591
Other operating income	847	1,029	692	2,023	54	-2,454	2,191
of which revenue from contracts with customers, goods	636	548	4	126	-	-316	998
of which revenue from contracts with customers, services	66	382	636	1,801	-	-1,961	924
of which other operating income	145	99	52	96	54	-177	269

SEKm	Forest	Wood	Pulp	Paper	Other activities	Eliminations	Total Group
2018 fiscal year¹⁾							
Net sales	5,455	6,618	2,866	9,643	-	-5,827	18,755
of which revenue from contracts with customers, goods	5,455	6,618	2,866	9,643	-	-5,827	18,755
Other operating income	843	949	410	1,777	120	-2,172	1,927
of which revenue from contracts with customers, goods	744	590	0	112	26	-302	1,170
of which revenue from contracts with customers, services	48	347	377	1,688	0	-1,679	781
of which other operating income	51	12	33	-23	94	-191	-24

1) SCA applied the modified retrospective method.

GROUP

TB1:1 Group by country	Net sales – sold to ¹⁾				Net sales – sold by ¹⁾			
	2019		2018		2019		2018	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Sweden	2,798	14	2,717	15	17,293	88	16,080	86
EU excl. Sweden								
UK	3,468	18	3,363	18	1,621	8	1,547	8
Germany	2,795	14	2,897	16	-	-	-	-
France	1,160	6	1,385	7	175	1	392	2
Netherlands	609	3	720	4	-	-	-	-
Denmark	644	3	655	3	-	-	-	-
Belgium	423	2	437	2	-	-	-	-
Poland	606	3	518	3	-	-	-	-
Spain	633	3	523	3	-	-	-	-
Italy	370	2	428	2	-	-	-	-
Finland	356	2	350	2	-	-	-	-
Rest of EU	702	4	740	4	-	-	-	-
Total EU excl. Sweden	11,766	60	12,016	64	1,796	9	1,939	10
Rest of Europe								
Norway	945	5	794	4	-	-	-	-
Switzerland	135	1	173	1	-	-	-	-
Other	213	1	112	-	-	-	-	-
Total, rest of Europe	1,293	7	1,079	5	-	-	-	-
Rest of world								
Japan	607	3	631	3	-	-	130	1
China	1,033	5	688	4	-	-	-	-
US	739	4	346	2	-	-	-	-
Morocco	296	2	347	2	-	-	-	-
India	147	1	78	-	-	-	-	-
Egypt	184	1	127	1	-	-	-	-
Hong Kong	5	-	6	-	502	3	606	3
Other	723	4	720	4	-	-	-	-
Total, rest of world	3,734	19	2,943	16	502	3	736	4
Total Group	19,591	100	18,755	100	19,591	100	18,755	100

1) Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where SCA has its customers. The second column "Net sales – sold by", meaning revenue from external customers where the company is domiciled and in other countries from which the company receives revenues.

Group by country	Average number of employees						Non-current assets ¹⁾	
	2019	Of whom men, %	Of whom women, %	2018	Of whom men, %	Of whom women, %	SEKm 2019	SEKm 2018
Sweden	3,816	80	20	3,677	80	20	87,869	50,453
EU excl. Sweden								
Germany	43	49	51	46	43	57	1	1
UK	295	89	11	306	88	12	82	151
France	12	91	9	84	82	18	4	56
Netherlands	63	89	11	79	90	10	-	243
Estonia	8	73	27	8	73	27	420	-
Latvia	4	75	25	3	67	33	541	1
Rest of EU	3	100	-	2	100	-	1	1
Total EU excl. Sweden	428	85	15	528	83	17	1,049	453
Rest of world								
Japan	-	-	-	3	30	70	-	-
Hong Kong	9	35	65	8	38	62	-	-
Total, rest of world	9	35	65	11	35	65	-	-
Total Group	4,253	81	19	4,216	81	19	88,918	50,906

1) Non-current assets comprise goodwill, other intangible assets, buildings, land, machinery and equipment, forest assets and right-of-use assets.

B2. OTHER OPERATING INCOME**Specification of other operating income**

SEKm	2019	2018
Transportation	885	756
Energy	908	931
Other	398	240
IS Total	2,191	1,927

Other disclosures

Government grants received increased other operating income by SEK 10m (10).

B3. RAW MATERIALS AND CONSUMABLES**Specification of raw materials and consumables**

SEKm	2019	2018
Timber and chips	-4,093	-3,221
Other raw materials and consumables	-2,017	-2,405
Goods purchased for resale	-1,263	-1,173
IS Total	-7,373	-6,799

B4. OTHER OPERATING EXPENSES**Specification of other operating expenses**

SEKm	2019	2018
Transportation	-3,893	-3,522
Energy ¹⁾	-683	-958
Repairs and maintenance	-777	-816
IT, telephony and lease of premises	-204	-369
Other	-1,543	-1,193
IS Total	-7,100	-6,858

1) After deduction for revenues for energy in the amount of SEK 338m (336).

Other disclosures

Government grants received reduced operating expenses by SEK 105m (38). Costs for research and development amounted to SEK 41m (48) during the period.

Specification of auditing expenses

SEKm	2019	2018
EY		
Audit assignments	-10	-9
Auditing activities other than the audit assignment	-1	-1
Total EY	-11	-10
Other auditors		
Audit assignments	-	0
Total other auditors	-	0
Total	-11	-10

B5. TAXES**AP ACCOUNTING PRINCIPLES**

The Group's tax expense comprises current tax and deferred tax.

Current tax is calculated on the taxable profit for the period based on the tax rules prevailing in the countries where the Group operates. Since taxable profit excludes costs that are not tax deductible and income that is not taxable, this is differentiated from profit before tax in the income statement. Current tax also includes adjustments relating to recognized current tax from prior periods. Interest attributable to income tax is also recognized as income tax.

Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards in so far as it is probable that these can be utilized against future taxable profits. Deferred taxes are measured at their nominal amount and based on the tax rates enacted on the balance sheet date. Deferred tax is not calculated on the initial recognition of goodwill or when an asset or liability is recognized for the first time, provided that the asset or liability is not attributable to a business combination. SCA does not recognize tax that may arise on future dividends of the retained earnings of foreign subsidiaries. Any such future effects (withholding tax deducted at source and other deferred tax on profit-taking within the Group) are recognized when SCA can no longer control the reversal of such differences or when, for other reasons, it is probable that a reversal can take place in the foreseeable future.

The recognition of tax effects is determined by the manner in which the underlying transaction is recognized. For items in the income statement, the tax effect is recognized in the income statement. For transactions in equity and in other comprehensive income, the tax effect is recognized in equity and in other comprehensive income, respectively.

Tax liabilities and tax assets are recognized net when SCA has a legal right to offset.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

The Group conducts operations in several countries, which increases the complexity when determining deferred tax assets and tax liabilities. This requires that assessments and assumptions are made to determine the value of the deferred tax asset and deferred tax liability on the balance sheet date. Future changes to taxation legislation and trends in the business climate will impact the company's future taxable profits and thus its possibility to utilize deferred tax assets on loss carryforwards and other temporary differences.

As of December 31, 2019, SEK 13m was recognized as deferred tax assets based on best assessment of future taxable profits in the Group. At year-end 2019, the Group also had tax loss carryforwards of SEK 47m, for which no deferred tax asset had been recognized. Accordingly, a changed assessment of the probability of future taxable profits could have a positive or negative effect. In SCA's opinion, at the end of 2019 there were no material uncertain tax items in the financial statements which could result in a significant adjustment of the reported values during forthcoming fiscal years.

Key assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information, refer to Note G3.

TB5:1 Tax expense

Tax expense (+), tax income (-).

SEKm	2019	% ¹⁾	2018	% ¹⁾
Current tax				
Income tax for the period	443	2.3	319	8.0
Adjustments for prior periods	3	-	1	-
Current tax expense	446	2.3	320	8.0
Deferred tax				
Changes in temporary differences	3,726	19.1	525	13.2
Adjustments for prior periods	-16	-0.1	21	0.6
Revaluation	-139	-0.7	-552	-13.9
TB5:3 Deferred tax expense	3,571	18.3	-6	-0.1

IS Tax expense	4,017	20.6	314	7.9
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1) Percentage of profit before tax.

Explanation of tax expense

The difference between the recognized and expected tax expense is explained below. The expected tax expense is calculated based on profit before tax in each country multiplied by the tax rate in effect in the country.

SEKm	2019 SEKm	%	2018 SEKm	%
Profit before tax	19,539		3,973	
IS Tax expense	4,017	20.6	314	7.9
Expected tax expense	4,198	21.5	854	21.5
Difference	-181	-0.9	-540	-13.6
The difference is due to:				
Permanent differences between accounting and taxable result				
Other permanent effects ¹⁾	-28	-0.1	7	0.2
Taxes related to prior periods ²⁾	-13	-0.1	5	0.1
Changes in the value of deferred tax assets	-1	-	-	-
Changes in tax rates ³⁾	-139	-0.7	-552	-13.9
Total	-181	-0.9	-540	-13.6

- 1) Other permanent effects in 2019 relate primarily to non-taxable capital gains in conjunction with the divestment of the logistics terminal in Rotterdam and non-taxable revenue from the merger with Groupe ISB, as well as non-deductible impairment of surplus values. Other permanent effects in 2018 mainly referred to non-deductible and non-taxable permanent items.
- 2) Taxes attributable to prior periods for 2019 relate, for the most part, to adjustments to current tax for prior years as well as adjustments relating to temporary differences for land assets. Taxes attributable to prior periods for 2018 relate, for the most part, to adjustments relating to temporary differences for land assets.
- 3) The Swedish Parliament has decided to reduce the Swedish corporate tax rate in two steps. On January 1, 2019, tax was reduced from 22% to 21.4%. On January 1, 2021, tax will be further reduced from 21.4% to 20.6%. The reduction of the corporate tax rate resulted in a revaluation of the Group's tax liabilities in 2019, resulting in a positive one-off item of SEK 139m. The corresponding amount in 2018 was SEK 551m.

Current tax liability

Current tax liability (+), current tax asset (-)

SEKm	2019	2018
Value January 1	110	18
TB5:1 Current tax expense	446	320
CF TB5:2 Paid tax	-652	-229
Translation differences	-1	1
Changes relating to discontinued operations	1	-
Value December 31	-96	110
BS of which current tax liability	9	120
BS of which current tax asset	-105	-10

TB5:2 Paid tax

Tax payments by SCA entities by country, paid tax (-).

SEKm	2019	2018
France	5	-6
Netherlands	-3	-
Japan	-3	-4
Sweden	-643	-207
UK	-3	-7
Germany	-5	-5
Other	0	0
CF Total	-652	-229

TB5:3 Deferred tax liability 2019

Deferred tax liability (+), deferred tax asset (-).

SEKm	Value January 1	Deferred tax expense ²⁾	Other changes ³⁾	Value December 31
Intangible fixed assets	3	-	-	3
Tangible fixed assets	1,517	310	-	1,827
Forest assets	6,658	3,427	3,892	13,977
Financial non-current assets	119	2	83	204
Current assets	3	7	-1	9
Provisions	-104	-22	16	-110
Liabilities	8	-151	-19	-162
Future tax credits and tax loss carryforwards	-12	-1	0	-13
Other	68	-1	-35	32
BS Total¹⁾	8,260	3,571	3,936	15,767

- 1) The closing deferred tax liability comprises deferred tax assets of SEK 13m (9) and deferred tax liabilities of SEK 15,780m (8,269).
- 2) The item deferred tax expense comprises SEK 3,305m in a non-recurring effect due to changed assumptions and assessments for the valuation of biological assets.
- 3) Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK 99m. IFRS 9 hedge accounting derivatives of SEK -55m and deferred tax related to changed principle for the valuation of land assets of SEK 3,892m.

Loss carryforwards

Future tax credits and loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount of SEK 13m on the line future tax credits and tax loss carryforwards in table TB5:3. Loss carryforwards for which no deferred tax assets were recognized amounted to TB5:4 SEK 47m (47), gross, at December 31, 2019. The tax value of uncapitalized tax loss carryforwards amounted to SEK 12m (12). In SCA's opinion, it is not probable that loss carryforwards for which no deferred tax was recognized will be offset against future profits as these largely concern saved capital losses with a limited right of deduction against future capital gains. The expiry dates of these loss carryforwards are distributed as shown in table TB5:4.

TB5:4 Loss carryforwards, gross, for which no deferred tax assets were recognized as per December 31, 2019

Year of maturity	SEKm
2020-2023	-
2024 and later	22
Indefinite life	25
Total	47

C. EMPLOYEES

C1. PERSONNEL COSTS

Personnel costs

SEKm	Note	2019	2018
Salaries and remuneration		-2,037	-2,073
TC3:1A of which Executive Management		-50	-62
of which Board	C4	-8	-8
Pension costs		-272	-246
of which defined benefit pension costs	C5	-90	-71
of which other pension costs		-182	-175
Other social security costs		-601	-610
Other personnel costs		-87	-112
Total personnel costs		-2,997	-3,041

C2. PERSONNEL DATA

Average number of employees

	2019	2018
Average number of employees	4,253	4,216
of whom men	3,425	3,395
of whom women	828	821

C3. REMUNERATION OF SENIOR EXECUTIVES

Guidelines for salary and employment conditions for Senior executives

These guidelines apply to the CEO, Business Area Presidents and equivalents as well as Central Staff Managers. For the composition of this group, see pages 78–79.

Annual General Meeting guidelines for remuneration of Senior executives

The 2019 Annual General Meeting adopted the following guidelines for remuneration and other employment conditions for Senior executives:

Remuneration of the CEO and other senior executives will be a fixed amount, variable remuneration, pension and additional benefits, which, altogether, is referred to as total remuneration. The total remuneration is to correspond to market practice and be competitive in the senior executive's field of profession. Total remuneration is to be linked to the senior executive's responsibility and authority.

For the CEO, and other senior executives, variable remuneration is to be limited and linked to the fixed remuneration. It is also to be based on earnings results in relation to annual and long-term established targets. The long-term goal is to be linked to the performance of the SCA share. Programs for variable remuneration must be designed so that the Board has the possibility to limit payment of variable remuneration if such an action is considered reasonable and in compliance with the company's responsibility to shareholders, employees and other stakeholders. Variable remuneration is not qualifying income for pension purposes.

If termination of employment is initiated by the company, the notice period should be up to two years. If termination is initiated by the executive, the notice period is to be no more than one year. There will be no severance pay.

Pension benefits shall, to the extent possible, solely contain defined premium pension benefits. The planned retirement age is 65.

The Board of Directors shall have the right to depart from the established guidelines if there in an individual case are special grounds to do so. The guidelines are not applicable to existing contracts.

Matters of remuneration to Senior executives are to be dealt with by a Remuneration Committee and, as regards the CEO, be resolved by the Board of Directors.

Company's application of guidelines

Fixed salary

The fixed salary is to be linked to the senior executive's responsibility and authority. Salaries are decided on an individual basis to a level, using an overall assessment of the executive's total remuneration, that is deemed competitive and corresponds to market practice in the executive's field of profession.

Variable remuneration

The CEO and other senior executives are part of SCA's program for variable remuneration where remuneration is paid according to SCA's prevailing stipulations. The total variable remuneration can, for the CEO, amount to a maximum of 100% of fixed salary while the variable remuneration for other senior executives can amount to a maximum of 80% of fixed salary. Variable remuneration is divided into a short and long-term portion. It shall encourage high performance, but should also act as a variable payroll expense at times when results do not achieve the established targets.

The short-term variable remuneration (Short Term Incentive, STI) can, for the CEO, amount to a maximum of 50% of the fixed salary and for other senior executives to 40% of the fixed salary. The established STI targets in 2019 for the CEO, CFO and Central Staff Managers, the support unit Sourcing and Logistics and the Forest business area relate to Group EBITDA, profit for the period (only the CEO and CFO), operating cash flow, industrial return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA) for the Group as a whole. For other Business Area Presidents, STI targets relate to EBITDA, operating cash flow and return on capital employed for both the business areas and the Group as a whole as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA) for the Group as a whole.

The long-term portion (Long Term Incentive, LTI) can, for the CEO, amount to a maximum of 50% of fixed salary and for other senior executives to 40% of fixed salary, where half of the net outcome (after tax deductions) is to be used to buy shares in SCA. The acquired shares may then not be sold within three years of the purchase of shares in the relevant LTI program.

The LTI goal is based on the performance of the company's Class B share over a three-year period, measured as Total Shareholder Return (TSR) compared with a weighted index, composed of OMX Stockholm 30, and Holmen, Stora Enso, UPM Kymmene and BillerudKorsnäs. The maximum outcome requires the performance target (TSR) for the company to be 5% stronger than the outcome for the peer group.

Outcome, variable remuneration

For the President and CFO, STI resulted in 2.7% and 2.2%, respectively, of fixed annual salary for 2019 (5.4% outcome of maximum share of STI). For Central Staff Managers, STI resulted in 2.8% of fixed annual salary (7.1% outcome of maximum share of STI). STI resulted in variable remuneration corresponding to 2.2–18.2% of fixed annual salary for other senior executives with responsibility for a business area (between 5.4% and 45.4% outcome of maximum share of STI). The LTI target was achieved for 2017–2019, resulting in maximum outcome for the President and other senior executives, which provided LTI compensation equivalent to 50% and 40% respectively of the fixed salary. The President and other senior executives are entitled, as all Swedish white collar employees at SCA, to convert proceeds from variable pay programs into pension as long as it is deemed to be cost neutral for the company. When assessing cost neutrality, it is taken into account that social security contributions on pensions are lower than the social security contributions for variable pay (bonus).

Pensions

The Senior executives are covered by a defined premium pension, where the company annually pays a premium of 40% of the fixed salary to the CEO and an annual premium of 30% of the fixed salary to other senior executives. One senior executive has retained their original defined benefit pension solution. The agreed pension premium for the CEO and other senior executives is paid as long as they are employed, though not longer than the month before the month the senior executive reaches the age of 65.

Other benefits

Other benefits pertain to company cars and any other benefits.

Notice period and severance pay

The agreement with the CEO stipulates a period of notice of 24 months if such notice is given by the company and a period of notice of 6 months if notice is given by the CEO. If notice is given by the company, the CEO is obligated to be available to the company during the notice period if so requested by the company. If the CEO, after written approval from the company, assumes a new position during the period of notice then, unless otherwise agreed, the new salary will be deducted from the salary received during the notice period. The agreement does not contain any stipulations with regard to severance pay.

Other senior executives have a notice period, if such notice is given by the company, of 12 months, which after five years of service, from their last employment, increases to 18 months. The executive's notice period toward the company is 6 months. One senior executive has differing conditions, with a notice period, if such notice is given by the company, of 18 months, which after three years of service increases to 24 months. If requested by the company, this executive is obligated to be available to the company during the notice period. Any new salary from other positions will be deducted from the salary received during the notice period. The agreements have no stipulations with regard to severance pay.

Preparation and decision process for remuneration

During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of Senior executives. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of corporate management for the fiscal year was based on the Remuneration Committee's recommendation. Matters of remuneration of the CEO were resolved by the Board of Directors. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed necessary, the work of the Remuneration Committee was carried out with the support of external expertise. For information about the composition of the Remuneration Committee, see page 72.

TC3:1A Remuneration and other benefits during the year 2019

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO Ulf Larsson	8,500,000	4,479,500 ³⁾	126,125	13,105,625
Other senior executives (11 persons)	24,448,200	11,244,849 ⁴⁾	940,805	36,633,854
Total	32,948,200	15,724,349	1,066,930	49,739,479

- 1) Fixed salary consists of salary paid and vacation pay supplement for the period, and, where applicable, the value of housing benefits.
- 2) Variable remuneration covers the 2019 fiscal year but is paid in 2020.
- 3) Of which LTI program SEK 4,250,000.
- 4) Of which LTI program SEK 9,775,200.

Remuneration and other benefits during the year 2018

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO Ulf Larsson	8,000,000	8,000,000 ³⁾	121,560	16,121,560
Other senior executives (12 persons)	25,574,350	19,528,815 ⁴⁾	884,096	45,987,261
Total	33,574,350	27,528,815	1,005,656	62,108,821

- 1) Fixed salary consists of salary paid and vacation pay supplement for the period, and, where applicable, the value of housing benefits.
- 2) Variable remuneration covers the 2018 fiscal year but is paid in 2019.
- 3) Of which LTI program SEK 4,000,000.
- 4) Of which LTI program SEK 9,559,509.

The Senior executives category above includes 11 (12) persons, of which 9 (10) are men and 2 (2) are women.

TC3:1B Pension costs 2019¹⁾

SEK	
President and CEO Ulf Larsson ²⁾	3,552,317
Other senior executives (11 persons) ²⁾	8,621,740
Total	12,174,057

- 1) The pension costs pertain to the costs that affected profit for 2019, excluding pension tax expense.
- 2) Outstanding pension obligations to all Senior executives, including the President and CEO, amounted to SEK 44,986,000 (value as of December 31, 2019). These primarily consist of defined benefit pension plans, including ITP.

Pension costs 2018¹⁾

SEK	
President and CEO Ulf Larsson ²⁾	3,322,479
Other senior executives (12 persons) ²⁾	8,771,984
Total	12,094,463

- 1) The pension costs pertain to the costs that affected profit for 2018, excluding pension tax expense.
- 2) Outstanding pension obligations to all Senior executives, including the President and CEO, amounted to SEK 36,841,000 (value as of December 31, 2018). These primarily consist of defined benefit pension plans, including ITP.

C4. FEES TO BOARD MEMBERS IN THE PARENT COMPANY

Remuneration to non-executive Board members refers to the established fees approved at the 2019 AGM, for the period until the next AGM in March 2020. No remuneration is paid to the CEO and other employees.

SEK	Board fee		Audit Committee fee		Remuneration Committee fee		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Pär Boman	1,875,000	1,800,000	260,000	250,000	140,000	135,000	2,275,000	2,185,000
Charlotte Bengtsson	625,000	600,000	-	-	-	-	625,000	600,000
Lennart Evrell	625,000	600,000	-	-	110,000	105,000	735,000	705,000
Annemarie Gardshol	625,000	600,000	-	-	-	-	625,000	600,000
Martin Lindqvist	625,000	600,000	260,000	250,000	-	-	885,000	850,000
Lotta Lyrå	625,000	600,000	-	-	-	-	625,000	600,000
Bert Nordberg	625,000	600,000	-	-	110,000	105,000	735,000	705,000
Anders Sundström	625,000	600,000	-	-	-	-	625,000	600,000
Barbara Milian Thoralfsson	625,000	600,000	360,000	330,000	-	-	985,000	930,000
Total	6,875,000	6,600,000	880,000	830,000	360,000	345,000	8,115,000	7,775,000

SCA's Board consists of 4 women and 6 men.

C5. REMUNERATION AFTER EMPLOYMENT**AP ACCOUNTING PRINCIPLES****Defined benefit pension plans**

Defined benefit pension plans are characterized by the fact that payment is based on the period of employment and the employee's salary at, or just prior to, retirement. The actuarial and investment-related risks associated with defined benefit pension plans are carried by the company. The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. Calculation is based on actuarial assumptions. Actuarial assumptions comprise the company's best assessment of the variables that determine the final cost for providing the benefits. The obligation is measured at the present value of the anticipated future cash flows using a discount rate (refer to Key assessments and assumptions). Actuarial gains and losses (remeasurements) are recognized directly in equity under other comprehensive income in the period in which they arise. The recognized cost for the defined benefit plans includes personnel costs, as well as net interest items. Net interest items comprise the discount rate calculated on the average net pension liability for the period, taking fee and remuneration payments into consideration. The difference between the calculated discount rate on the plan assets and SCA's actual return on the plan assets is included in the remeasurement of the defined benefit net liability (net asset) recognized in equity under other comprehensive income. Past service costs are recognized in the income statement in the period in which they arise.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the obligation on the balance sheet date minus the fair value of the plan assets. Funded plans with net assets, meaning plans with assets exceeding obligations, are recognized as a financial non-current asset provided they are not limited by the asset ceiling in IAS 19. Other pension plans, which are not fully funded or unfunded, are recognized as Provisions for pensions.

In certain countries, taxes or fees are charged on pension payments. In such cases, these are included in the calculation of the obligation for the defined benefit pension plans. These taxes or fees are recognized as an expense in the income statement, except in cases where they are attributable to actuarial gains or losses, in which case they are recognized directly in equity under other comprehensive income, as are the actuarial gains or losses.

Defined contribution pension plans

Plans where the employer's obligation is limited to the premiums the company has undertaken to pay are classified as defined contribution plans. In these plans, it is the employee who bears the investment risk, meaning the risk that the invested assets could be insufficient to generate the anticipated compensation. The Group's payments relating to defined contribution plans are recognized as an expense during the period the employees carry out the service to which the payment relates.

Severance pay

Severance pay is recognized as a payroll expense when the Group has an obligation to compensate employees whose employment was terminated early.

CAA KEY ASSESSMENTS AND ASSUMPTIONS

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. The key assumptions and assessments include the discount rate, future salary increases, inflation and life expectancy. SCA determines the discount rate based primarily on AA-rated corporate bonds issued in the currency in which the payments will be made that match the duration of the obligations. If no such corporate bonds are available, government bonds or mortgage bonds are used. Inflation assumptions are based on a combination of central bank targets, implicit market expectations and long-term analyst forecasts. Assumptions regarding salary increases are based on market expectations and market research forecasts. Actuarial assumptions are presented in [TC5:5](#). The sensitivity of the recognized provision with respect to key actuarial assumptions is described in [TC5:6](#).

Provisions for pensions and similar obligations

Assets (-), obligations (+)

SEKm	2019	2018
TC5:2 Defined benefit obligations	1,913	2,010
TC5:3 Fair value of plan assets	-3,296	-2,797
TC5:4 Effect of asset ceiling	886	685
TC5:1 Provision for pensions, net	-497	-102

Surpluses in funded plans recognized as financial non-current assets amounted to **BS** SEK 1,019m (630) on the balance sheet date and provisions for pensions totaled **BS** SEK 522m (528). Defined benefit obligations include obligations in an amount of SEK 171m (172) pertaining to unfunded plans.

SCA has both defined contribution and defined benefit pension plans in a number of subsidiaries. The most significant defined benefit pension plan is the pension plan in Sweden, as described in **TC5:1**.

TC5:1 Provisions for pensions and similar obligations per plan

SEKm	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
Country								
Sweden	802	386	511	1,699	-2,393	-	-694	20
Other	74	70	70	214	-903	886	197	13
Total	876	456	581	1,913	-3,296	886	-497	

Sweden

The ITP2 plan (supplementary pensions for salaried employees) encompasses employees born before 1979 and is a defined benefit plan that provides retirement pension based on final salary. The ITP2 plan provides pension as a percentage of various salary intervals.

The pension is reduced proportionately if the total period of service is less than 30 years. The ITP2 plan is managed by a fund, and the company may compensate itself using any surpluses in the plan assets.

Other

In addition to those described above, there are a number of minor pension obligations, including Belgium, Germany, the Netherlands and Sweden. Some of these plans are funded.

Costs for the period for defined benefit plans

SEKm	2019	2018
Current service cost, after deduction for premiums paid by the employees	-90	-71
Pension tax expense	-16	-11
Net interest	1	10
Pension costs before effects of settlements	-105	-72
Settlements	-	-
Pension costs after effects of settlements	-105	-72

TC5:2 Defined benefit obligations

SEKm	2019	2018
Value January 1	2,010	1,700
Current service cost	90	72
Interest expense	44	43
Pension tax expense	16	11
Acquisitions and divestments	-215	-
Benefits paid	-61	-78
Pension taxes paid	-2	-2
Remeasurement: financial assumptions	103	129
Remeasurement: demographic assumptions	-	-3
Remeasurement: experience-based assumptions	8	30
Pension taxes pertaining to remeasurement	-87	98
Translation differences	7	10
Value December 31	1,913	2,010

Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include unexpectedly high or low employee turnover.

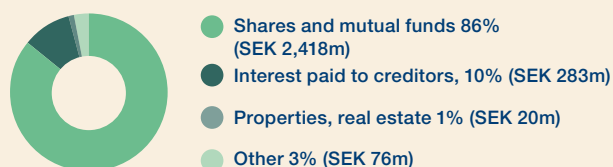
TC5:3 Fair value of plan assets

SEKm	2019	2018
Fair value January 1	-2,797	-3,118
Interest income	-61	-73
Acquisitions and divestments	188	-
Contributions by plan participants	-1	-2
Contributions by the employer	-17	-18
Benefits paid, excluding settlements	51	56
Return in excess of recognized interest income	-654	365
Translation differences	-5	-7
Fair value December 31	-3,296	-2,797

The plan assets are distributed according to the following classes of assets 2019:



The plan assets are distributed according to the following classes of assets 2018:



98% (96) of the plan assets on the balance sheet date were traded on active markets in which market quotations are used for the valuation of assets. As in the preceding year, no financial instruments issued by SCA are included in the fair value of plan assets at December 31, 2019.

TC5:4 Effect of asset ceiling

SEKm	2019	2018
Value, January 1	685	782
Interest expense	15	19
Other changes to asset ceiling	186	-116
Value, December 31	886	685

Effect of asset ceiling pertains to funds in two Swedish foundations that can be used for possible future undertakings for early retirement for certain categories of employees.

TC5:5 Principal actuarial assumptions

	Sweden	Eurozone
2019		
Discount rate	1.51	0.78
Expected salary increase rate	2.88	2.48
Expected inflation	1.63	1.23
Life expectancy, men ¹⁾	22	21
Life expectancy, women ¹⁾	25	24
2018		
Discount rate	2.23	1.60
Expected salary increase rate	3.32	3.00
Expected inflation	2.07	1.75
Life expectancy, men ¹⁾	22	21
Life expectancy, women ¹⁾	25	24

1) Life expectancy, expressed in years, for an individual currently aged 65.

TC5:6 Change of obligation, increased obligation (-)

SEKm	
Discount rate +0.25%	91
Price inflation, incl. salary inflation +0.25%	-97
Longevity +1 year	-74

The sensitivity analysis is calculated by changing one assumption while the others remain constant.

Other disclosures

Multiemployer plans

SCA has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. These benefits are reported as defined contribution plans since there is no basis for allocating the obligations, plan assets and costs to the individual companies covered by the plan.

Budgeted contributions

The budgeted contributions for the company's defined benefit pension plans for 2020 were calculated at SEK 58m. Contributions for multiemployer plans for 2020 were calculated at SEK 7m.

D. OPERATING ASSETS AND LIABILITIES

D1. INTANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

Goodwill

Goodwill arises in connection with business combinations where the consideration transferred exceeds the fair value of the acquired net assets. Goodwill is recognized at cost less accumulated impairment and is an intangible asset with an indefinite useful life. This means that goodwill is not amortized, but rather is tested annually for impairment. All goodwill is allocated to the cash-generating units that to benefit from the synergies from the business combination. In connection with the sale of Group companies, goodwill attributable to the divested unit is included in the capital gain. Goodwill that arises in acquisitions of associated companies or joint ventures is included in the carrying amount of the respective associate or joint venture. The cash-generating units correspond to the operating segments in accordance with Note B1.

Other intangible fixed assets

Intangible assets also include patents, licenses and other similar rights. Acquired assets of this type are recognized at cost and are amortized on a straight-line basis during their anticipated useful life, which varies between 3 and 20 years.

Customer relations are measured at fair value at the time of the acquisition. The value of these customer relations is amortized over their useful life, which is considered to be between 3 and 15 years.

Research expenditure is recognized as an expense as incurred. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Capitalized expenditure is amortized on a straight-line basis from the date when the asset is in a location and in the condition required to use it in the manner intended by management.

Impairment testing

Goodwill is tested annually for impairment. When testing for impairment, the assets are grouped in cash-generating units in accordance with SCA's operating segments in Note B1. The test compares the carrying amounts of the cash-generating units with the recoverable amounts. The recoverable amount of each cash-generating unit is determined by discounting future cash flows in order to determine their value in use. The calculation of future cash flows is based on the strategic plans adopted by Executive Management for the next three years. The carrying amount for the cash-generating unit includes goodwill with indefinite useful lives and assets with definite useful lives, such as non-current assets and working capital.

The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount.

An impairment loss recognized earlier is reversed, if the reasons for the impairment no longer exist. The carrying amount after the reversal is limited to what it would have been prior to impairment loss. Impairment losses on goodwill are never reversed.

Emission allowances and costs for carbon dioxide emissions

SCA participates in the European system for emission allowances and receives a permit to emit a specific volume of carbon dioxide during a calendar year for each facility in which operations requiring a permit are conducted. Emission allowances relating to carbon dioxide emissions are recognized as an intangible asset and as deferred income (liability) when they are received. Allowances are received free of charge and measured and recognized at market value as of the date to which the allocation pertains. During the period, the initial liability for emission allowances received is dissolved over the income statement as income in pace with actual carbon dioxide emissions. If the emission allowances received do not cover actual emissions, SCA makes a provision for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the delivery date.

If the market price of emission allowances on the balance sheet date is less than recognized cost, any surplus emission allowances that are not required to cover emissions made are impaired to the market price. In conjunction with this, the remaining part of the deferred income is recognized as income by a corresponding amount and therefore no net effect occurs in the income statement. The emission allowances are used as payment in the settlement with the Swedish state regarding liabilities for actual emissions.

Intangible fixed assets

SEKm	Goodwill		Other intangible assets	
	2019	2018	2019	2018
Accumulated costs	46	46	445	362
Accumulated depreciation	-	-	-242	-228
Accumulated impairment	-43	-43	-32	-33
Total	3	3	171	101
Value January 1	3	3	101	82
Investments	-	-	86	36
Depreciation	-	-	-16	-17
Value December 31	3	3	171	101
TD1:1 Emission allowances, net value	-	-	37	24
BS Value December 31 including emission allowances	3	3	208	125

Impairment testing

Annual testing for impairment of goodwill is carried out in the fourth quarter. Impairment testing for 2019 did not indicate any impairment requirement. Sensitivity analyses show that reasonable changes to key parameters do not give rise to any impairment requirement.

In addition to annual impairment testing of the cash-generating units, individual assets are tested to determine whether any impairment is needed. The discount rate before tax used in the impairment testing of goodwill is 7.61% (5.73). No impairment was carried out during the year.

TD1:1 Emission allowances

SEKm	2019	2018
Accumulated costs	37	24
Total	37	24
Value, January 1	24	9
Emission allowances received	124	41
Sales	-94	-19
Settlement with the government	-17	-7
Value, December 31	37	24

D2. TANGIBLE FIXED ASSETS**AP ACCOUNTING PRINCIPLES****Tangible fixed assets**

Property, plant and equipment is recognized, with the exception of land assets, at cost less accumulated depreciation and any impairment. In cases where an investment in foreign currency has been recognized using hedge accounting, the gain/loss from the hedge is recognized as part of the acquisition cost. The cost of properties and production facilities included in major projects includes costs for running-in and start-up. The sale of products of sufficient quality from the running-in period is recognized as net sales. Borrowing costs are included in the cost of investments exceeding SEK 250m that take more than 12 months to complete. Expenditure for repairs and maintenance is expensed directly in the income statement. Income from the sale of products manufactured during the completion of the facility are recognized over the income statement.

Land and land improvements

Land and land improvements are recognized at cost less accumulated amortization and any impairment.

Land assets attributable to forest assets

SCA has conducted a review of the value of its forest holding in 2019. The change has meant land assets attributable to forest assets are now recognized in accordance with the revaluation method. The revaluation method means land assets are measured at fair value. These assets were previously recognized at cost. The change also entails that land assets attributable to forest assets are recognized on a separate line in the balance sheet and are included in Note D3 Forest assets.

Depreciation and impairment

Land is not subject to depreciation. Buildings, land improvements, machinery and equipment are depreciated on a straight-line basis over the useful lives of the assets. If, at accounting year-end, there is an indication that property, plant and equipment has declined in value, impairment testing is carried out.

Assessed useful lives

	Number of years
Pulp and paper mills, sawmills	10–25
Other machinery	7–18
Tools	3–10
Vehicles	4–5
Buildings	15–50
Energy plants	15–30
Computers	3–5
Office equipment	5–10
Harbors and railways	20–30
Land improvements	10–20

Carrying amounts

SEKm	Buildings		Land and land improvements ^{1) 2)}		Machinery and equipment ³⁾		Construction in progress ^{3) 4)}		Total property, plant and equipment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated costs	5,764	6,010	3,440	4,284	30,916	30,539	1,691	572	41,811	41,405
Accumulated depreciation	-2,752	-2,778	-1,841	-1,715	-17,685	-16,932	-	-	-22,278	-21,425
Accumulated impairment	-147	-147	-85	-4	-1,110	-1,109	-7	-7	-1,349	-1,267
Less land assets (see Note D3)	-	-	-	-1,000	-	-	-	-	-	-1,000
Total	2,865	3,085	1,514	1,565	12,121	12,498	1,684	565	18,184	17,713
Value January 1	3,085	2,040	1,565	2,399	12,498	7,169	565	5,496	17,713	17,104
Investments	37	46	125	232	420	317	1,666	2,289	2,248	2,884
Sales and disposals	-1	-4	-	-2	-5	-15	-	-	-6	-21
Company divestments	-203	-	-5	-	-72	-	-	-5	-280	-5
Reclassifications	81	1,132	42	53	410	6,000	-533	-7,185	-	-
Depreciation	-142	-137	-132	-118	-1,132	-978	-	-	-1,406	-1,233
Impairments	-	-	-82	-	-2	-	-	-	-84	-
Translation differences	8	8	1	1	4	5	-14	-30	-1	-16
Less land assets (see Note D3)	-	-	-	-1,000	-	-	-	-	-	-1,000
BS Value December 31	2,865	3,085	1,514	1,565	12,121	12,498	1,684	565	18,184	17,713

1) Land and land improvements include forest roads valued at SEK 901m (891). Investments for the year in forest roads amounted to SEK 90m (103) and depreciation for the year to SEK 80m (77).

2) At December 31, 2019, land assets relating to forest land were recognized at fair value on a separate line in the balance sheet. For further information, refer to Note D3. Other land and land improvements will continue to be recognized at cost less accumulated amortization and any impairment.

3) During the period, interest was capitalized in machinery and equipment in an amount of SEK 0m (28) and in construction in progress in an amount of SEK 1m (0). The average interest rate used was 1% (1).

4) Of the outgoing value of construction in progress and advance payments for property, plant and equipment, SEK 922m (0) pertains to the investment project in Obbola.

D3. FOREST ASSETS

AP ACCOUNTING PRINCIPLES

Forest assets are divided into standing timber and land assets. Standing timber is recognized as a biological asset in accordance with IAS 41 Agriculture. Land assets are recognized as property, plant and equipment in accordance with IAS 16 Property, plant and equipment.

In light of the price level of forest assets in a number of large and recently completed forest land transactions, SCA has reviewed the method and assumptions for valuation of the company's forest assets in its balance sheet. The review has shown that a large number of forest transactions are taking place in areas where SCA owns forest assets, and the value of larger forest holdings is generally at the same level per m³fo as smaller and mid-sized forest assets. In previous years, the market price or other comparable price was not used as there was some uncertainty surrounding the market price for assets the size of SCA's, as no larger transactions had taken place in the market. The review resulted in a new method and new assumptions for determining the fair value of the assets. The total value of the forest assets is based on forest transactions in the areas where SCA owns forest assets. The new method also entails that the land assets are now measured at fair value, which has led to a change in accounting principles. Land assets linked to the standing forest were previously recognized at cost. There has been no change in accounting principles for biological assets. The new method has only resulted in changed assumptions under the same accounting principles. The change to the new accounting method for the valuation of the forest assets therefore gives rise to a change in accounting principle in respect of land assets, but only a change in assumptions in respect of biological assets.

Statistics relating to forest transactions are available from several market sources. The statistics can be viewed as market-corroborated inputs in accordance with measurement level 2. In certain cases, inputs used for the valuation of an asset or liability at fair value are recognized at various levels in the evaluation hierarchy according to IFRS 13. For a description of the different measurement levels, refer to Note E1. In these cases, the valuation of overall fair value is recognized at the lowest of the levels. Certain adjustments are made to refine the market-corroborated inputs using unobservable inputs. In addition to this, an assessment is carried out of the transaction periods to be included in the calculation of an average price. SCA has chosen to base the market price on a weighted three-year average. The new method thus contains more observable inputs but is nevertheless assigned to measurement level 3 taking into account the adjustment of inputs at measurement level 2. No transfers have taken place between the measurement levels during the year. If a transfer had taken place between the measurement levels, this would be undertaken at year-end.

In combination with market transactions, and to determine the fair value of the Group's biological assets, expected future cash flows from the assets were discounted. The calculation to establish the value of biological assets is based on existing, sustainable felling plans and assessments regarding growth, timber prices, felling and silviculture costs and selling expenses. Environmental restrictions and other limitations are taken into account which means that the assets cannot be fully utilized in the best possible manner. The calculation is performed for a production cycle that SCA estimates for biological assets to average 100 years. The change in value is recognized in the income statement on the line item for change in value in biological assets.

The value of land assets constitutes the residual amount between the total value in accordance with the new method to establish total market value and the value of the biological assets based on discounted cash flows. Land assets were also verified by discounting the cash flow linked to land assets to obtain the total land value. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the year.

Land assets linked to standing forest were previously classified as buildings, land, machinery and equipment in the balance sheet. The effect of the change of accounting principle to the revaluation method in accordance with IAS 16 p.31 means land assets are now recognized at fair value and have, therefore, as of December 31, 2019, been recognized on a separate line in the balance sheet under forest assets. A corresponding reclassification has taken place for the comparative year. The comparative year was not translated to fair value but reported at cost.

In the balance sheet, the change of accounting principle to the revaluation method resulted in an increase in the value of the land assets by SEK 18,893m and the recognition of a deferred tax liability on the difference between the asset's taxable cost and carrying amount. The deferred tax liability amounts to SEK 3,892m. The increase in the value of the assets and the tax effect resulting from the revaluation is recognized in other comprehensive income and accumulates in equity on the lines for change in value in land assets and income tax attributable to components of other comprehensive income. Refer to Note E8.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

SCA has based its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets. The calculated market prices are based on forest transactions over the latest three years. The market price is a weighted three-year average that in 2019 was SEK 276/m³fo and is used to determine the total average value per m³fo of SCA's forest assets in Sweden.

A new forest survey was carried out in 2019. As part of the new survey, a new estimate was drawn up and established for the forest portfolio's timber volume. As of December 31, 2019, timber volume is estimated to approximately 249 million m³fo in Sweden. This compares with the survey from 2014 where the timber volume was estimated to amount to 238 million m³fo on December 31, 2019. The new survey has thus led to an increase in standing volume of about 11 million m³fo. Added to this is approximately 3 million m³fo of timber volume in the Baltic states.

TD3:1 describes the sensitivity of the carrying amount with respect to key assumptions.

Forest assets

SEKm	2019	2018 ³⁾
Forest assets in Sweden ¹⁾	68,723	33,065
Forest assets in the Baltic states ²⁾	959	-
Total value of biological assets and land assets	69,682	33,065
Deferred tax related to forest assets	13,977	6,658

1) The fair value of SCA's forest assets in Sweden in 2019 was based on a timber volume of approximately 249 million m³fo multiplied by the market price of SEK 276/m³fo.

2) The fair value of forest assets acquired during the year in the Baltic states is deemed to correspond to the acquisition price.

3) Land value is recognized at cost in 2018.

Biological assets

SEKm	2019	2018
Value January 1	32,065	31,386
Acquisition of biological assets	709	45
Divestment of biological assets	-21	-46
Other changes in fair value	1,807	1,708
Change due to felling	-1,090	-1,028
Change due to new method and new assumptions	16,042	-
BS Value December 31	49,512	32,065

Land assets

SEKm	2019 ^{1) 2)}	2018 ^{1) 2)}
Value January 1	1,000	998
Acquisition of land assets	286	2
Divestment of land assets	-9	-
Revaluation of land assets at fair value	18,893	-
BS Value December 31	20,170	1,000
Cost	1,501	1,000

- 1) The land assets are measured at fair value in 2019. Land assets are recognized at cost in 2018.
- 2) Following the acquisition of forest assets in Sweden, the fair value has been distributed such that 31 (5)% of the value has been allocated to land assets. For the acquisitions made in Estonia and Latvia in 2019, 25% of the acquisition price has been allocated to land assets.

The change in the fair value of biological assets and change due to felling are recognized as a net value in the income statement on the line change in value in biological assets. The change amounts to SEK 16,759m (679), of which SEK 16,042m is a non-recurring effect due to renewed assumptions and assessments. The remeasurement effect arising from the changed accounting principle pertaining to the reporting of land assets at fair value is recognized as Other comprehensive income and does not impact profit.

The current year's valuation of biological assets and land assets was based on market statistics and discounted cash flows. For the current year's valuation of biological assets, the same valuation model was used as in the past using a return requirement of 3.6% after tax. In 2018, a discount rate of 5.9% before tax was used.

When cash flow was discounted, assessed income and expenses were adjusted upward by an annual inflation rate of 2%. Assumptions regarding future price and cost levels have, as in the valuation in 2018, been based on the outcome for the five preceding years. The 2019 valuation used an average wood price of SEK 442 (449) per solid cubic meter under bark (m³sub). Annual harvesting is expected to rise over the calculated future production cycle and amount to 4.3 million m³sub for 2019, ending at 5.9 million m³sub by 2114.

On average, 85% of felling comprises final harvesting and 15% thinning. 56% is expected to comprise sawlogs and 44% pulpwood.

SCA's forest holdings comprise approximately 2.6 million hectares of forest land primarily in northern Sweden, of which approximately 2.0 million is productive forest land. SCA also owns 30,000 hectares of forest assets in Estonia and Latvia, of which about 24,000 hectares is productive forest assets. The forest portfolio's timber volume amounts to approximately 249 million m³fo in Sweden and approximately 3.2 million m³fo in the Baltic states. Growth amounts to approximately 10.5 million m³fo per year, gross, on productive forest assets. Net growth, meaning growth after felling and natural losses, is estimated at 4.0 million m³fo per year in Sweden. Growth in the Baltic states amounts to approximately 170,000 m³fo and net growth to about 30,000 m³fo. Felling in 2019 amounted to approximately 4.4 million m³sub (4.3).

Forest assets

	2019 ¹⁾	2018 ^{1) 2)}
Carrying amount SEK/hectare forest assets	34,412	16,526
Carrying amount SEK/m ³ fo	276	141

- 1) The values are calculated based on productive area.
- 2) The land value is based on acquisition cost.

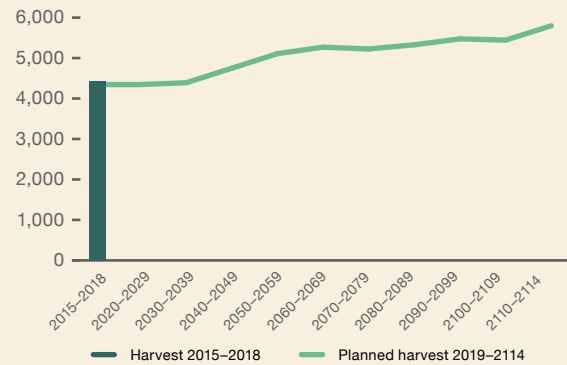
TD3:1 Sensitivity analysis

SEKm	Change in assumption	Change in value, before tax	
		2019	2018
Market price based on market statistics ¹⁾	Price change 5% on a total volume of 249 million m ³ fo	3,437	-
Forest portfolio's timber volume ¹⁾	3 million m ³ fo	828	-

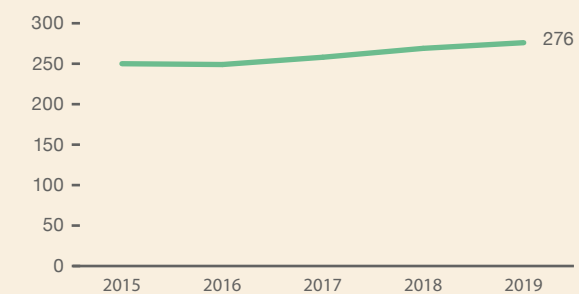
- 1) The sensitivity figures are based on the market price, which for 2019 has been set to SEK 276/m³fo. Sensitivity figures are based on the total value of forest assets.

Harvest

Harvest 2015–2019 and planned harvest 2020–2114 (1,000 m³sub/year)



Market price Historical three-year average 2015–2019 (SEK/m³fo)



D4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

AP ACCOUNTING PRINCIPLES

A contract is or contains a lease agreement if the contract conveys the right to determine the use of an identifiable asset for a specified period of time in return for compensation. When an agreement is entered into, a company must consider whether the contract is or contains a lease agreement. SCA's lease agreements primarily consist of trains, office premises, terminals, warehouses, other buildings, various transport vehicles and company cars. Up to and including 2018, SCA classified all leases as operating leases and lease payments were expensed on a straight-line basis over the lease term, refer to Note G2. As of January 1, 2019, all leases are recognized in accordance with IFRS 16 Leases, which means a lessee must recognize a right-of-use asset and a lease liability in the balance sheet when a lease comes into effect. The standard includes exemptions for short-term leases (leases with a lease term of 12 months or less) and leases where the underlying asset has a low value. SCA uses the available exemption, which means short-term leases and leases for which the underlying asset has a low value are not recognized in the balance sheet. Leases covered by the exemption largely consist of photocopiers and coffee machines.

On the date of initial application for the lease, the lease liability is measured at the present value of outstanding lease payments. This encompasses fixed fees after deductions for any benefits, variable lease payments linked to index or price and amounts expected to be paid by the lessee in accordance with residual value guarantees. Lease payments include the exercise price for a purchase option if the lessee is reasonably certain of exercising the option and financial penalties to be paid on termination of the lease if the lease term reflects that the lessee will utilize this option. Variable lease payments not linked to price or interest are expensed.

Lease payments are to be discounted by the interest rate implicit in the lease contract, if it can be readily determined. In cases where the rate cannot be readily determined, lease payments are discounted using SCA's incremental borrowing rate. A substantial part of SCA's lease liability has been discounted using the incremental borrowing rate. The incremental borrowing rate is to reflect the interest rate a lessee would have to pay for financing through loans for the equivalent period with similar collateral, for the right-of-use of an asset in a similar economic environment. SCA has prepared a method for determining the incremental borrowing rate, which includes the credit rating of the individual subsidiaries, the economic environment, contract duration of the lease and class of asset. Updating the incremental borrowing rate is performed on a regular basis of new and modified contracts. After the date of initial application, the lease liability increases by the interest on the lease liability but decreases as lease payments are made. The lease liability is remeasured using a modified discount rate in cases where the lease term changes or if the assessment of an option to purchase the underlying asset changes. The lease liability is remeasured using an unchanged discount rate if the amount expected to be paid in accordance with the residual value guarantees is changed, or the future lease payments are changed due to changes in price or index. Lease liabilities are classified as financial liabilities, see Note E4.

On the date of initial application for the lease, the date on which the underlying asset becomes available for use, a right-of-use asset is recognized. Right-of-use assets are measured at cost,

which includes the sum of the original lease liability, any initial direct fees and an estimate of any recovery expenses. Furthermore, cost includes all lease payments made on or before the date of initial application, after deductions for any benefits received in conjunction with signing the lease. After the date of initial application, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment, taking into account adjustments for any revaluation of the lease liability. Right-of-use assets are depreciated over their useful life, if there is reasonable certainty that a purchase option will be exercised. Otherwise, the lessee must depreciate the right-of-use from the date of initial application until which ever occurs first of the end of the useful life or the end of the lease term. An assessment of useful lives is presented in table TD4:1.

Impairment is addressed in Note D2 Tangible fixed assets.

CAA KEY ASSESSMENTS AND ASSUMPTIONS

IFRS 16 stipulates that when entering into any agreement an assessment must be made of whether the contract is or includes a lease. SCA assesses all contracts entering into force on an individual basis with the exception of contracts for company cars, which are assessed as a portfolio. In cases where a lease contract includes an identifiable asset, but where SCA is not entitled to receive essentially all benefits from use of the asset or is not entitled to control use of the identified asset, SCA's opinion in all instances is that the contract is not, nor does it contain, a lease agreement. A contract can include components that are not to be classified as lease components, such as included services, personnel and administration. SCA has chosen to exclude non-lease components for all leases.

The lease term is defined as the non-cancellable lease period together with periods that may be covered by an option to extend a lease if the lessee is reasonably certain of utilizing this alternative and periods covered by an option to terminate the lease if the lessee is reasonably certain of not utilizing this alternative. SCA has a number of contracts where the contractual terms clearly encompass extension periods. The right to an extension has been utilized when SCA with reasonable assurance can determine that the contract will be extended. SCA has not utilized the right to an extension for leases where the lease period exceeds ten years as the assessment is that "reasonable assurance" cannot be applied to such a long interval. The following extension periods have been utilized for contracts that include a right to an extension for an unspecified period and where SCA with reasonable assurance will utilize this right: forklifts and other work vehicles three years, property five years. A number of contracts include an option to withdraw from the agreement early, but where an early termination would trigger a termination fee, the size of which is dependent on when the agreement is terminated. SCA has not considered the option to withdraw from an agreement early as there is no financial incentive given the often significant termination fee. In cases where SCA and its counterparty are each independently entitled to terminate a lease without permission from the other party and without a substantial financial penalty, SCA has considered the agreement as unenforceable. In cases where only the counterparty was entitled to terminate an agreement, the contract's period of notice has constituted the lease term. When SCA has been solely entitled to terminate an agreement, the lease term in the majority of cases was assessed as 3–5 years, as described above.

In applicable cases, residual value guarantees were taken into account when determining the lease payments.

Carrying amounts right-of-use assets and lease liabilities

SEKm	Right-of-use assets					Total	Lease liabilities ³⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other		
Value January 1, 2019	622	319	196	50	36	1,223	1,211
Lease payments	–	–	–	–	–	–	–204
Depreciation	–66	–35	–48	–31	–9	–189	–
Interest expenses	–	–	–	–	–	–	46
Additional and remeasured contracts ¹⁾	86	–	17	34	–	137	137
Terminated contracts ²⁾	–318	–	–25	–2	–1	–346	–352
Translation differences	15	–	1	–	–	16	16
BS Value December 31	339	284	141	51	26	841	854

1) Additional contracts amount to SEK 90m and remeasurement of existing contracts to SEK 47m. The remeasurement of leases mainly concerns the extension of the lease period for planing mills in the UK and the extension of the lease period for a fuel pellets plant in Luleå.

2) Terminated contracts mainly relate to the divestment of the logistics terminal in Rotterdam and the merger of SCA Wood France and Groupe ISB.

3) Of the total lease liability at year-end, SEK 698m is classified as non-current financial liabilities and SEK 156m as current financial liabilities. An analysis by maturities is provided in Note E4.

TD4:1 Assessed useful lives

	Number of years
Properties, real estate	3–20
Trains	10
Work vehicles	3–12
Company cars	3–4
Other	2–8

Carrying amounts income statement

SEKm	2019
Depreciation right-of-use assets	–189
Interest expenses, lease liability	–46
Lease payments related to low value leases	–5
Lease payments related to short-term leases	–55
Variable payments	–14
Terminated contracts	6
Total	–303

Cash flow

SCA recognizes a cash flow effect arising from leases of SEK 280m for 2019. The cash flow effect includes payments related to contracts that include a lease and payments related to low value leases, short-term leases and variable payments.

D5. INVENTORIES

AP ACCOUNTING PRINCIPLES

Inventories are measured at the lower of cost and net realizable value. Cost is calculated by applying the first-in, first-out (FIFO) or the weighted average cost principle. The cost of inventories and work in progress includes raw material costs, direct labor, other direct expenses and production-related overheads, based on a normal capacity utilization.

The net sales price is the calculated sales price received for normal business transactions less calculated marketing and sales costs.

Felling rights for standing timber are measured at contract prices, which on average have not exceeded the lower of net realizable value and cost.

Inventories

SEKm	2019	2018
Raw materials and consumables	2,018	1,646
Spare parts and supplies	693	596
Products in progress	81	81
Finished products	1,364	1,289
Felling rights	858	887
BS Total	5,014	4,499

Impairment of inventory amounted to SEK 14m (0) during the period.

D6. OTHER CURRENT RECEIVABLES**AP ACCOUNTING PRINCIPLES****Derivatives**

Derivatives are classified as a financial instrument, refer to Note E1. However, SCA has chosen to define derivatives used to hedge operating items as operating derivatives, which is why they are recognized on operating lines in the balance sheet.

Other current receivables

SEKm	2019	2018
VAT receivables	243	196
Accrued income	35	37
Prepaid expenses	168	171
Receivables from authorities	43	71
Derivatives	100	292
Receivables from associated companies	15	26
Other receivables ¹⁾	186	267
BS Total	790	1,060

1) Other receivables comprises SEK 0m (123) in insurance compensation concerning the fire at a processing plant in France.

D7. OTHER LIABILITIES**AP ACCOUNTING PRINCIPLES****Derivatives**

Derivatives are classified as a financial instrument, refer to Note E1. However, SCA has chosen to define derivatives used to hedge operating items as operating derivatives, which is why they are recognized on operating lines in the balance sheet.

Other liabilities

SEKm	2019	2018
Other non-current liabilities		
Derivatives	54	2
Other non-current liabilities	77	91
BS Total	131	93
Of which items that fall due for payment later than within five years	-	-
Other current liabilities		
Derivatives	66	129
TD6:1 Accrued expenses and prepaid income	709	816
Other operating liabilities	269	195
BS Total	1,044	1,140

TD6:1 Accrued expenses and prepaid income

SEKm	2019	2018
Accrued social security costs	107	130
Accrued vacation pay liability	105	99
Other liabilities to personnel	113	190
Bonus and discounts to customers ¹⁾	109	104
Other items	275	293
Total	709	816

1) The principles for recognition of revenue from contracts with customers are described in Note B1.

D8. OTHER PROVISIONS**AP ACCOUNTING PRINCIPLES**

Provisions are recognized in the consolidated balance sheet when there is a legal or informal obligation arising from events that have occurred and it is probable that payments will be required to settle the obligation. It must also be possible to reliably estimate the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation.

A provision for restructuring measures is recognized when the Group has established a detailed plan and either implementation has begun or the main features of the measures have been communicated to the parties involved. Restructuring costs include, for example, costs for plant closures, impairment of production machinery or costs for personnel reductions.

Other provisions

SEKm	Efficiency programs	Environment	Legal disputes	Other	Total
Value January 1	7	18	-	119	144
Provisions	-	55	2	29	86
Utilization	-3	-18	-	-87	-108
Reclassifications	-	-	-	-	-
Dissolutions	-	-	-	-9	-9
Translation differences	-	-	-	2	2
Value December 31	4	55	2	54	115

Provisions comprise:

BS Long-term component	30
BS Short-term component	85

Of the provisions for the period for Environment, SEK 26m pertains to a liability for carbon dioxide emissions, which will be paid out in 2020. Provisions for the period for Environment include provisions for land decontamination. Of the efficiency program's provisions, SEK 3m was paid out in 2019. Provisions for the period for legal disputes are linked to the closure of a processing plant in France. Other provisions consist mainly of provisions for pensions and provision for pension tax linked to capital insurance. Other provisions utilized in 2019 relate, for the most part, to the dissolution of provisions for clean-up costs following the fire and closure of the processing plant in France.

D9. TRADE PAYABLES

SCA's trade payables amounted to **BS** SEK 3,336m (3,368) on December 31, 2019. SEK 1,683m (1,527) of the trade payable consisted of standing forest, referred to as standing forest timber for sale. The seller of standing timber has the right to almost immediate payment once the timber is harvested, though a payment plan can be used to spread payments over a longer period.

E. CAPITAL STRUCTURE AND FINANCING

E1. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL

AP ACCOUNTING PRINCIPLES

Financial instruments recognized in the balance sheet include cash and cash equivalents, securities, other financial receivables, trade receivables, trade payables, loans and derivatives.

Current investments and derivatives are recognized on the trade date. Equity instruments and loans are recognized on the settlement date. Trade receivables and trade payables are recognized in the balance sheet once the invoice has been sent or paid, respectively.

Financial assets are initially recognized at cost including transaction costs relating to the acquisition. Financial assets measured at fair value do not include transaction costs. Financial assets are recognized in the balance sheet until the rights in the agreement have been realized or the company no longer has the rights to the asset. Impairment of financial assets takes place when there is objective proof of impairment, such as cessation of an active market or where it is probable that the debtors cannot meet their commitments.

Financial liabilities are recognized at amortized cost, except in cases where they are measured at fair value using hedge accounting, refer to Note E4. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments.

For disclosures in note relating to interest-bearing loans and investments, current market interest rates are taken into account in fair value calculations.

SCA recognizes financial instruments with a remaining maturity of less than 12 months as current assets and liabilities. Financial instruments that exceed 12 months, and where the company has the unconditional right to postpone settlement of the asset and liability for at least 12 months, are recognized as non-current assets and liabilities.

Classification and subsequent recognition

On the acquisition date, SCA classifies financial instruments into the following categories.

Financial assets measured at fair value in the income statement

Assets are classified in this category when the intention is to sell in the short term and, if such is the case, they are recognized continuously at fair value in the income statement. This category also includes derivatives with positive market values provided that they are not recognized using hedge accounting.

Only financial derivatives were classified in this category during the year.

Financial liabilities measured at fair value in the income statement

This category includes derivatives with negative fair values that are not used for hedge accounting and financial liabilities held for trading. Liabilities in this category are continuously measured at fair value and changes in value are recognized in the income statement.

Financial assets measured at fair value through other comprehensive income

This category includes assets that are available for sale or that have not been classified in any of the other categories. These assets are measured at fair value through other comprehensive income less impairment.

Financial assets measured at amortized cost

This category comprises loan receivables that have determinable payments and are not quoted in an active market, as well as trade receivables. Receivables arise when SCA provides money, goods or services directly to another party without any intention of conducting trading in the receivables. Assets in this category are measured at amortized cost less a potential provision for impairment.

Financial liabilities measured at amortized cost

This category includes financial liabilities that are not held for trading. These are recognized initially at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method, meaning the estimated change in value (effective interest) is recognized as interest income or interest expense in the income statement.

Derivatives used for hedge accounting

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized in accordance with the accounting principles stated in Note E6.

Measurement levels

Level 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.

Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as currency forward contracts or interest rate swaps. Fair value for currency options is determined using the Black-Scholes option pricing model.

Level 3: Inputs for the asset or liability not fully based on observable market data.

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2019	2018
Financial assets measured at fair value in the income statement				
Non-current financial assets	E2	2	53	27
Derivatives – Current financial assets	E2	2	3	9
Derivatives – Other current receivables	D6	2	23	33
Total			79	69
Financial liabilities measured at fair value in the income statement				
Derivatives – Current financial liabilities	E4	2	1	-
Derivatives – Other current liabilities	D7	2	15	37
Total			16	37
Financial assets measured at fair value through other comprehensive income				
Equity instruments	E2	3	14	19
Total			14	19
Financial assets measured at amortized cost				
Trade receivables	E3	-	2,313	2,629
Cash and cash equivalents	E2	-	454	648
Total			2,767	3,277
Financial liabilities measured at amortized cost				
Non-current financial liabilities	D4,E4	-	5,888	5,263
Current financial liabilities	D4,E4	-	3,730	2,562
Trade payables	D9	-	3,336	3,368
Total			12,954	11,193
Derivatives used for hedge accounting				
Non-current financial assets	E2	2	0	0
Other non-current assets	-	1.2	2	74
Other current receivables	D6	1.2	78	259
Current financial assets	E2	2	-	-
Total			80	333
Other non-current liabilities	D7	2	54	2
Other current liabilities	D7	2	52	92
Total			106	94

Financial instruments are measured at fair value, with the exception of loan and trade receivables and financial liabilities measured at amortized cost. The measurement basis for lease liabilities is presented in Note D4. According to SCA's assessment, the fair value essentially corresponds to the carrying amount, with the exception of non-current liabilities, the fair value of which is presented in Note E4.

Financial instruments in other notes to the balance sheet

SEKm	Note	2019		2018	
		Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets					
Financial assets, cash and cash equivalents	E2	524	3	703	9
Other non-current assets		2	2	74	73
Trade receivables	E3	2,313	-	2,629	-
Other current receivables	D6	100	100	292	292
Total		2,939	105	3,698	374
Liabilities					
Financial liabilities excl. leases	E4	8,764	-	7,825	-
Other non-current liabilities	D7	54	54	2	2
Lease liabilities	D4, E4	854	-	-	-
Trade payables	D9	3,336	-	3,368	-
Other current liabilities	D7	67	67	129	129
Total		13,075	121	11,324	131

E2. FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

AP ACCOUNTING PRINCIPLES

Cash and cash equivalents are defined as cash and bank balances as well as short-term investments with a maturity of less than three months from the acquisition date. Loan receivables are recognized at amortized cost. Equity instruments comprise shares measured at fair value. These shares are not held for trading, which is why changes in value in accordance with IFRS 9 are recognized in equity through other comprehensive income. The changes in value related to exchange gains/losses are recognized in the income statement.

Financial assets, cash and cash equivalents

SEKm	Carrying amount	
	2019	2018
Non-current financial assets		
TE2:1 Equity instruments	14	19
Derivatives	0	0
Capital investments, other	53	27
BS Total	67	46
Current financial assets		
Derivatives	3	9
BS Total	3	9
Cash and cash equivalents		
Cash and bank balances	454	648
BS Total	454	648
Total financial assets, cash and cash equivalents	524	703

Of the Group's cash and cash equivalents, SEK 0m (11) is not fully available for use by the Group. This refers primarily to cash and cash equivalents in countries that are subject to exchange restrictions and other legal restrictions.

TE2:1 Equity instruments

SEKm	2019	2018
Value January 1	19	20
Remeasurement taken to equity, net	-5	-1
Value December 31	14	19

Distribution of equity instruments

SEKm	2019	2018
Shares – Investa Företagskapital AB	-	5
Shares – Shore Link AB	3	3
Shares – Sundsvalls Hamn AB	4	4
Shares – Bioenergi i Luleå AB	3	3
Other	4	4
Total	14	19

The holding in Investa Företagskapital AB was impaired in its entirety in 2019 as the company was liquidated. The impairment was recognized in other comprehensive income.

E3. TRADE RECEIVABLES

AP ACCOUNTING PRINCIPLES

Trade receivables belong to the category of financial assets measured at amortized cost, since the purpose of the holding is to obtain contractual cash flows. Impairment of financial assets must be based on expected credit losses for the remaining lease term of the financial asset. In compliance with IFRS 9 Financial Instruments, SCA applies a simplified impairment model for trade receivables, whereby the expected credit loss is recognized for the estimated remaining lifetime of the receivable. In the past, SCA has not incurred significant customer losses and these losses have not exhibited significantly different loss patterns for various customers segments or economic cycles, which is why a matrix is used to measure expected customer losses. The provision for doubtful trade receivables is based on an individual assessment of overdue trade receivables for each customer. The basis for the assessment of credit risk in the part of the customer portfolio that is not assessed individually is past customer losses, based on average loss frequency. The average loss frequency is adjusted as necessary to take into account changes in credit risk. The total provision for expected customer losses, in addition to the accounts receivable assessed individually, amounted to SEK -3m (-3) at the end of 2019. SCA signed credit insurance in order to reduce its credit risk. The trade receivables encompassed by the credit insurance comprise 23% (20) of total trade receivables on December 31, 2019. Any impairment of trade receivables affects SCA's other operating expenses. Translation differences on trade receivables are recognized on the line other operating income and amount to SEK -5m (12). Translation differences include hedges in currency derivatives.

SCA's trade receivables are generally current and are not discounted.

Trade receivables

SEKm	2019	2018
Trade receivables, gross	2,392	2,677
Provision to reserves for doubtful trade receivables	-79	-48
BS TE3:1 Total	2,313	2,629

TE3:1 Analysis of credit risk exposure in trade receivables

SEKm	2019	2018
Trade receivables neither overdue nor impaired	1,927	2,219
Trade receivables overdue but not impaired		
<30 days	334	391
30-90 days	17	10
>90 days	35	9
Total trade receivables overdue but not impaired	386	410
Total	2,313	2,629

SCA's customer structure is dispersed, with customers in many different areas of business. In 2019, SCA's ten largest customers accounted for 32 (29)% of the Group's sales. More information is available in the section on credit risks on page 68.

Provision to reserves for doubtful trade receivables

SEKm	2019	2018
Value January 1	-48	-56
Individual provision for possible credit losses	-39	-9
Provision for anticipated losses, not overdue trade receivables	0	-2
Provision for anticipated losses, overdue trade receivables	0	-1
Confirmed credit losses	1	12
Decrease due to reversal of provisions for possible credit losses	7	8
Value December 31	-79	-48

The expense for the period for doubtful trade receivables amounted to SEK 28m (4). Of this amount, a major portion relates to possible customer losses in Hong Kong.

E4. FINANCIAL LIABILITIES**AP ACCOUNTING PRINCIPLES**

The main principle for recognition of SCA's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method. Transaction costs are accrued over the term of the loan. The cash flows from the interest rate derivative are discounted to the same market interest rate as the loan and the changes in value are recognized in the income statement.

Liabilities that fall due after one year or later are classified as non-current liabilities and others are classified as current liabilities.

Financial liabilities

SEKm	2019	2018
Current financial liabilities		
Bond issues	1,000	-
Amortization within one year	-	-
Derivatives	1	-
Loans with maturities of less than 1 year	2,562	2,544
Lease liabilities with maturities of less than 1 year	156	-
Accrued financial expenses	11	18
BS Total	3,730	2,562
Non-current financial liabilities		
Bond issues	1,200	2,200
Derivatives	-	-
Other non-current loans with maturities > 1 year < 5 years	2,419	1,083
Lease liabilities with maturities > 1 year < 5 years	127	-
Other non-current loans with maturities > 5 years	1,571	1,980
Lease liabilities with maturities > 5 year	571	-
BS Total	5,888	5,263
Total financial liabilities	9,618	7,825
Fair value of financial liabilities ¹⁾	8,749	7,813

1) The fair value of financial liabilities are recognized excluding lease liabilities.

Borrowing**Bond issues**

SCA has a Medium Term Note (MTN) program with an amount of SEK 8,000m (8,000) for issuing bonds in the capital market. As of December 31, 2019, a nominal SEK 2,200m (2,200) was outstanding with an average duration of 1.2 years (2.2).

Issued	Maturity	Carrying amount SEKm	Fair value SEKm
Notes SEK 1,000m	2020	1,002	1,002
Notes SEK 550m	2021	553	551
Notes SEK 650m	2021	648	654
Total		2,203	2,207

Commercial paper program¹⁾

SCA has a Swedish commercial paper program to the amount of SEK 5,000m (5,000), which can be utilized for short-term financing.

Program size	Issued SEKm
Commercial paper SEK 5,000m	2,500
Total	

1) Included in Loans with maturities of less than one year in the Financial liabilities table on page 112.

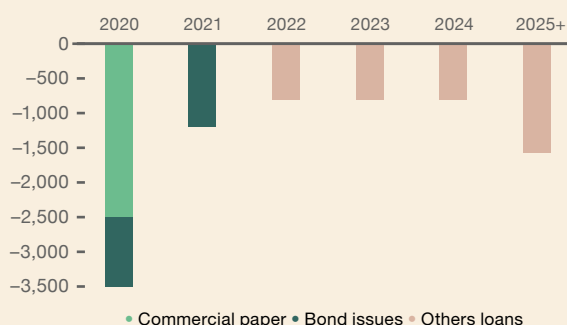
SCA has a syndicated bank facility to limit the refinancing risk and maintain a liquidity reserve. In 2019, two earlier credit facilities were refinanced with a new facility that extends until 2024 and includes two extension options of one year each. The credit facility was unutilized on December 31, 2019

Credit facilities

	Nominal SEKm	Maturity	Total SEKm	Utilized SEKm	Unutilized, SEKm
Syndicated credit facilities	5,000	2024	5,000	-	5,000
Total			5,000	-	5,000

Bilateral loans

	Nominal SEKm	Maturity	Total SEKm
Swedish Export Credit Corporation	500	2022	500
Swedish Export Credit Corporation	500	2023	500
Swedish Export Credit Corporation	500	2024	500
European Investment Bank	480	2025	480
European Investment Bank	1,000	2028	1,000
Nordic Investment Bank	1,000	2029	1,000
Total			3,980

Maturity profile of gross debt

After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, net debt amounted to SEK 8,597m (7,020) at December 31, 2019. For a description of the methods used by SCA to manage its refinancing risk, refer to page 68.

Changes in liabilities from financial activities

SEKm	OB 2019	Opening liability IFRS 16	Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2019
Current financial liabilities (excluding lease liabilities)	2,562	-	-50	1,062	-	-	3,574
Non-current financial liabilities (excluding lease liabilities)	5,263	-	989	-1,062	-	-	5,190
Lease liabilities	0	1,211	-156	0	47	-248	854
Derivatives	0	-	-	-	0	-	0
Total liabilities from financing activities	7,825	1,211	783	0	47	-248	9,618

SEKm	OB 2018	Cash flow	Reclassification from current to non-current liabilities	Market value changes	Other	CB 2018
Current financial liabilities	3,501	-970	-	-	31	2,562
Non-current financial liabilities	3,675	1,588	-	-	-	5,263
Derivatives	1	-	-	-1	-	0
Total liabilities from financing activities	7,177	618	0	-1	31	7,825

As a consequence of the application of IFRS 16, SCA recognized an increase in total financial liabilities of SEK 1,211m on January 1, 2019. In 2019, liability decreased to SEK 854m, primarily due to the divestment of the logistics terminal in Rotterdam and the merger of SCA Wood France S.A.S. and Groupe ISB. Changes to market value of lease liabilities pertain to the revaluation of existing lease contracts. The item Other pertains to divested operations, terminated contracts, interest, additional contracts and exchange rate differences.

E5. LIQUIDITY RISK

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), and negative cash flows from gross settled derivatives. For a description of how SCA manages its liquidity risk, refer to page 68.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2019			
Loans including interest	3,631	3,764	1,583
Lease liability including interest	188	240	695
Net settled derivatives	0	0	-
Energy derivatives	27	2	-
Trade payables	1,718	1,618	-
Total	5,564	5,624	2,278
Gross settled derivatives ¹⁾	6,388	1,381	-
SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2018			
Loans including interest	2,594	3,394	1,992
Net settled derivatives	0	0	-
Energy derivatives	0	-	-
Trade payables	1,900	1,468	-
Total	4,494	4,862	1,992
Gross settled derivatives ¹⁾	7,102	204	-

1) The gross settled derivatives have, largely, corresponding positive cash flows and therefore in SCA's opinion do not constitute any real liquidity risk.

E6. DERIVATIVES AND HEDGE ACCOUNTING

AP ACCOUNTING PRINCIPLES

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. When using hedge accounting, the relationship between the hedge instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow. The ineffective portion is recognized directly in the income statement.

Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedging are recognized in equity under other comprehensive income and reversed to the income statement at the rate at which the hedged cash flow affects the income statement. If a hedge relationship is interrupted and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. For hedges of non-financial assets and liabilities, the result of the hedge is recognized at historical cost without a reclassification adjustment and therefore does not affect other comprehensive income. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to the income statement. Cash flow hedges relating to energy affect the energy costs, that is, cost

of goods sold. Transaction exposure's cash flow hedges affect consolidated net sales and expenses. Cash flow hedges relating to interest expenses affect net financial items.

When option contracts are used to hedge currency flows, the Group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognized within OCI in the costs of hedging reserve within equity.

Financial hedges

When SCA conducts financial hedges and the transactions do not meet requirements for hedge accounting according to IFRS 9, changes in fair value of the hedging instrument are recognized directly in the income statement.

Outstanding derivatives

SEKm	Currency	Interest	Energy	Total
2019				
Nominal	7,625	2,450	606	10,681
Assets	65	0	40	105
Liability	92	-	29	121
2018				
Nominal	7,411	1,750	547	9,708
Assets	52	-	322	374
Liability	131	-	-	131

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2019¹⁾		
Gross amount	128	144
Offsettable amount	-23	-23
Net amount recognized in the balance sheet	105	121
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-69	-69
Net after offsetting in accordance with ISDA agreements	36	52
December 31, 2018¹⁾		
Gross amount	374	131
Offsettable amount	-	-
Net amount recognized in the balance sheet	374	131
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-79	-79
Net after offsetting in accordance with ISDA agreements	295	52

1) Outstanding derivatives gross without consideration of the right of set-off in accordance with ISDA agreements.

2) ISDA entails framework agreements for financial transactions.

Balance sheet

SCA uses financial derivatives to manage currency, interest rate and energy price risks. For a description of how SCA manages these risks, refer to the Board of Directors' Report. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2019. For more information relating to derivatives in the balance sheet, refer to Note E1.

Income statement

Hedges pertaining to transaction exposure had an impact of SEK -374m (-256) on operating profit for the period. The net market value amounted to SEK 41m (-72) on the balance sheet date. Currency hedges reduced the cost of non-current assets by SEK 8m (34). The net market value amounted to SEK -68m (13) on the balance sheet date. The net market value for interest rate risk hedges amounted to SEK 0m (0).

Energy derivatives had an impact of SEK 131m (228) on operating profit for the period.

Energy derivatives had an outstanding market value of SEK 12m (322) at year-end. Interest rate derivatives impacted net interest items in an amount of SEK -5m (-1). For further information relating to net financial items, refer to Note E7.

Sensitivity analysis

SCA has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2019 using assumptions on market movements that are regarded as reasonably possible in one year's time. If the Swedish krona had unilaterally weakened/strengthened by 5% against all currencies, outstanding financial hedges, trade payables and trade receivables would have decreased/increased profit for the period before tax by SEK 231m (278). Financial hedges with maturities of more than one year would have increased/decreased equity by SEK 7m (10).

If the Swedish krona had unilaterally weakened/strengthened by 5%, forward cover relating to the cost of non-current assets would have increased/decreased equity by SEK 15m (10). For hedge options relating to the cost of non-current assets, a 5% increase in the strength of the krona would entail a decrease in equity of SEK 69m and, conversely, a 5% weaker krona would increase equity by SEK 80m.

If energy prices had increased/decreased by 20%, outstanding financial hedges relating to electricity, all other things being equal, would have decreased/increased energy costs for the period by SEK 78m (108). In addition to the earnings impact, equity would have increased/decreased by SEK 36m (56). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

Outstanding derivatives with hedge accounting¹⁾

SEKm	Assets	Liability	Net	Tax	Hedge reserve after tax
2019					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	29	-27	2	-	2
Currency risk	50	-78	-28	5	-23
Interest rate risk	0	-	0	0	0
Total	79	-105	-26	5	-21
2018					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	298	-	298	-61	237
Currency risk	35	-94	-59	12	-47
Interest rate risk	0	-	-	-	-
Total	333	-94	239	-49	190

1) Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives on page 115.

The results from fair value hedges are recognized directly in the income statement.

Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mature mainly in 2020 and during the first quarter of 2021. With unchanged exchange rates, profit after tax will be affected in an amount of SEK 33m (-57). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until September 2024. With unchanged exchange rates, the cost of non-current assets will decrease by SEK 72m (10) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2020 and 2021. With unchanged prices, the Group's profit after tax will be affected positively in an amount of SEK 2m in 2020 and SEK 237m in 2021.

E7. FINANCIAL INCOME AND EXPENSES**Financial income and expenses¹⁾**

SEKm	2019	2018
Results from shares and participations in other companies		
Dividend	8	1
Interest income and similar profit items		
Interest income, investments	12	9
Other financial income	34	26
IS Total financial income	54	36
Interest expenses and similar loss items		
Interest expenses, borrowing ²⁾	-66	4
Interest expenses, derivatives	-34	-28
Interest expenses, leases	-46	-
Other financial expenses	-34	-41
IS Total financial expenses	-180	-65
Total	-126	-29

1) Other financial income and expenses include an exchange difference of SEK 0m (1).

2) Interest expenses, borrowing includes capitalized borrowing costs of SEK 1m (28).

Sensitivity analysis

If interest rate levels had been 1 percentage point higher, with unchanged fixed-interest terms and net debt, interest expenses for the period would have been SEK 49m (47) higher. A sensitivity analysis has been performed on the risk to which SCA was exposed at December 31, 2019 using assumptions on market movements that are regarded as reasonably in one year's time. For a description of how SCA manages its interest rate risk, refer to page 68.

E8. EQUITY

AP ACCOUNTING PRINCIPLES

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of SCA's treasury shares reduces retained earnings in equity in the Parent

Company and the portion of consolidated equity that pertains to owners of the Parent. When treasury shares are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent.

Equity totaled SEK 68,510m (39,062) at December 31, 2019. The following tables show the distribution and profit for the period.

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2019	2,350	6,830	-113	29,995	39,062	-	39,062
IS Profit for the period recognized in the income statement	-	-	-	15,522	15,522	-	15,522
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change in value in land assets	-	-	18,893	-	18,893	-	18,893
Result from equity instruments measured at fair value	-	-	-	-2	-2	-	-2
Remeasurement of defined benefit pension plans ²⁾	-	-	-	444	444	-	444
Income tax attributable to components in other comprehensive income	-	-	-3,892	-92	-3,984	-	-3,984
Total	-	-	15,001	350	15,351	-	15,351
<i>Items that have been or can be transferred to profit for the period</i>							
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	-	-	-489	-	-489	-	-489
Transferred to the income statement for the period	-	-	209	-	209	-	209
Hedging cost	-	-	23	-	23	-	23
Translation differences in foreign operations	-	-	15	-	15	-	15
Tax on items recognized directly in/transferred from equity ³⁾	-	-	53	-	53	-	53
Other comprehensive income for the period, net after tax	-	-	14,812	350	15,162	-	15,162
OCI Comprehensive income for the period	-	-	14,812	15,872	30,684	-	30,684
Cash flow hedge, transferred to cost of hedged investments	-	-	-8	-	-8	-	-8
Tax on cash flow hedge, transferred to cost	-	-	2	-	2	-	2
Acquisition of non-controlling interests	-	-	-	-	-	0	0
Remeasurement effect upon acquisition of non-controlling interests	-	-	-	-1	-1	-	-1
Dividend, SEK 1.75 per share ⁴⁾	-	-	-	-1,229	-1,229	-	-1,229
BS Value December 31, 2019	2,350	6,830	14,693	44,637	68,510	0	68,510

1) Revaluation reserve, hedge reserve, hedging cost, equity instrument and translation reserve are included in the reserves line in the balance sheet, see specification on page 119.

2) Including payroll tax.

3) For a specification of income tax attributable to components in other comprehensive income, see page 119.

4) Dividend SEK 1.75 (1.50) per share pertains to owners of the Parent. For the 2019 fiscal year, the Board has decided to propose a dividend of SEK 2.00 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC13.

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2018	2,350	6,830	-219	27,790	36,751	2	36,753
IS Profit for the period recognized in the income statement	-	-	-	3,659	3,659	-	3,659
Other comprehensive income for the period	-	-	-	-	-	-	-
<i>Items that cannot be transferred to profit for the period</i>	-	-	-	-	-	-	-
Transitional effect from implementation of new accounting standard	-	-	-	-3	-3	-	-3
Result from equity instruments measured at fair value	-	-	-	-1	-1	-	-1
Remeasurement of defined benefit pension plans ²⁾	-	-	-	-504	-504	-	-504
Income tax attributable to components in other comprehensive income	-	-	-	111	111	-	111
Total	-	-	-	-397	-397	-	-397
<i>Items that have been or can be transferred to profit for the period</i>							
Cash flow hedges:							
Result from remeasurement of derivatives recognized in equity	-	-	156	-	156	-	156
Transferred to the income statement for the period	-	-	-16	-	-16	-	-16
Translation differences in foreign operations	-	-	19	-	19	-	19
Minority holding that after acquisition is subsidiary	-	-	-	2	2	-2	0
Tax on items recognized directly in/transferred from equity ³⁾	-	-	-26	-	-26	-	-26
Other comprehensive income for the period, net after tax	-	-	133	-395	-262	-2	-264
OCI Comprehensive income for the period	-	-	133	3,264	3,397	-2	3,395
Cash flow hedge, transferred to cost of hedged investments	-	-	-34	-	-34	-	-34
Tax on cash flow hedge, transferred to cost	-	-	7	-	7	-	7
Remeasurement effect upon acquisition of non-controlling interests	-	-	-	-5	-5	-	-5
Dividend, SEK 1.50 per share ⁴⁾	-	-	-	-1,054	-1,054	-	-1,054
BS Value December 31, 2018	2,350	6,830	-113	29,995	39,062	-	39,062

1) Revaluation reserve, hedge reserve, hedging cost, equity instrument and translation reserve are included in the reserves line in the balance sheet, see specification on page 119.

2) Including payroll tax.

3) For a specification of income tax attributable to components in other comprehensive income, see page 119.

4) Dividend SEK 1.50 (6.00) per share pertains to owners of the Parent.

Equity, specification of reserves

SEKm	Revaluation reserve ¹⁾		Hedge reserve ²⁾		Translation reserve	
	2019	2018	2019	2018	2019	2018
Value January 1	-	-	189	103	-302	-322
Revaluation of land assets	18,893	-	-	-	-	-
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity	-	-	-489	156	-	-
Transferred to the income statement for the period	-	-	209	-16	-	-
Hedging cost	-	-	23	-	-	-
Translation differences in foreign operations ³⁾	-	-	-	-	15	19
Tax on items recognized directly in/transferred from equity	-3,892	-	53	-27	-	1
Other comprehensive income for the period, net after tax	15,001	-	-204	113	15	20
Cash flow hedge, transferred to cost of hedged investments	-	-	-8	-34	-	-
Tax on cash flow hedge, transferred to cost	-	-	2	7	-	-
Value December 31	15,001	-	-21	189	-287	-302

1) The revaluation reserve in 2019 concerns the effect of the change of accounting principle to the revaluation method for land assets.

2) See also Note E6 for details of when profit or loss is expected to be recognized.

3) Transfer of realized exchange gains to divested companies to the income statement is included in the amount of SEK 0m (0).

Specification of income tax attributable to other comprehensive income for the period

SEKm	2019			2018		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurement of defined benefit pension plans	444	-92	352	-504	111	-393
Cash flow hedges	-280	53	-227	140	-26	114
Hedging cost	23	-	23	-	-	-
Translation differences in foreign operations	15	-	15	19	-	19
Transitional effect from implementation of new accounting standard	-	-	-	-3	-	-3
Revaluation of land assets	18,893	-3,892	15,001	-	-	-
Result from equity instruments measured at fair value	-2	-	-2	-1	-	-1
Other comprehensive income for the period	19,093	-3,931	15,162	-349	85	-264

At December 31, 2019, the debt/equity ratio amounted to 13 (18)%. Change in liabilities and equity is described on page 61 under Financial position. SCA aims to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt shall take into account the target to maintain a credit rating corresponding to investment grade rating. SCA has a credit rating for long-term debt of BBB from Standard & Poor's. SCA's financial risk management is described in the Risk and risk management section on page 68.

F. GROUP STRUCTURE

F1. SUBSIDIARIES

AP ACCOUNTING PRINCIPLES

Subsidiaries

The companies over which the SCA Group has a controlling influence are consolidated as subsidiaries. Controlling influence means that SCA has sufficient influence to control the activities of the subsidiary, has the right to its returns and has control over its exposure, and is able to impact the return of the company through its influence. Most of the Group's subsidiaries are wholly owned.

Gällö Timber AB and its wholly owned subsidiary Gällö Skog AB is 50% owned by SCA and 50% owned by AB Persson Invest. SCA is considered to have a controlling influence over the Gällö companies, despite the fact that SCA does not hold a majority of shares in the companies. SCA is deemed to have a controlling influence since it has control over activities with an impact on the Gällö companies' return. Gällö Timber AB sells solid-wood products and sales totaled SEK 628m (630). SEK 15m (30) was paid in dividends by the company. Gällö Skog AB

buys and sells solid-wood products and sales totaled SEK 279m (203). The company has not paid any dividend. The SCA Group consolidates 100% of Gällö Timber AB and Gällö Skog AB.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the interest. In connection with acquisitions of less than 100%, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Subsequent acquisitions up to 100% and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as an equity transaction.

List of major subsidiaries

The Group's participations in major subsidiaries at December 31, 2019. The table below shows wholly owned subsidiaries and

subsidiaries with significant interests and controlling influence, with external sales in excess of SEK 100m in 2019.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2019	Share of equity at December 31, 2018
SCA Graphic Sundsvall AB	556093-6733	Sundsvall, Sweden	100	100
SCA Munksund AB	556237-4859	Piteå, Sweden	100	100
SCA Obbola AB	556147-1003	Umeå, Sweden	100	100
SCA Wood AB	556047-8512	Sundsvall, Sweden	100	100
SCA Wood France S.A.S.	440341527	La Rochelle, France	100	100
SCA Wood Hong Kong Ltd	1134245	Hong Kong, China	100	100
SCA Wood UK Ltd	2541468	Stoke-on-Trent, UK	100	100
SCA Wood Scandinavia AB	556302-0667	Sundsvall, Sweden	100	100
SCA Japan K.K.	0104-01-109101	Tokyo, Japan	-	100
Gällö Timber AB	556801-1786	Bräcke, Sweden	50	50

F2. ASSOCIATED COMPANIES

AP ACCOUNTING PRINCIPLES

Associated companies

Associated companies are companies in which the Group exercises a significant influence without the partly owned company being a subsidiary. Normally, this means that the Group owns between 20% and 50% of the votes. Accounting for associated companies is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for subsidiaries and the carrying amount for associated companies includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associated companies after the acquisition is recognized on the line result from participations in associated companies in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective associated company.

At year-end 2019, SCA had no joint ventures.

SCA Wood France S.A.S. and the French company Groupe ISB merged their operations in wood processing and the distribution of wood products in France during the first quarter of 2019. SCA's shareholding in the combined company Florencia S.A.S. amounts to 38.5%.

Holdings in associated companies

SEKm	2019	2018
Value January 1	29	28
Investments	352	–
Net change in associated companies ¹⁾	–14	1
BS Value December 31	367	29

1) Net change for the period includes the Group's share of the profit after tax of associated companies.

SEKm	Company name	Corp. Reg. No.	Domicile	Participation %		Carrying amount	
				2019	2018	2019	2018
	Florencia S.A.S.	809 910 177	Rennes, France	38.5	–	347	–
	Other					20	29
	Total					367	29

F3. CORPORATE ACQUISITIONS AND DIVESTMENTS**AP ACCOUNTING PRINCIPLES****Acquisition of subsidiaries**

SCA applies IFRS 3 Business Combinations in connection with acquisitions. In business combinations, acquired assets and assumed liabilities are identified and classified at fair value on the date of acquisition (also known as an acquisition analysis). The acquisition analysis also includes an assessment of whether there are any assets that are intangible in nature, such as trademarks, patents, customer contracts or similar assets that were not recognized in the acquired unit. If the cost is higher than the net value of the acquired assets, assumed liabilities and identified intangible assets, the difference is recognized as goodwill. Any surplus value on tangible fixed assets is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer contracts are amortized over their estimated useful lives.

If the transferred consideration is contingent on future events, it is measured at fair value. Any change in value is recognized in profit for the period.

Transaction costs in conjunction with acquisitions are not included in cost, but rather expensed directly.

A corporate acquisition can be classified as a business combination or asset acquisition. A corporate acquisition with the primarily purpose of acquiring the company's properties and where any of the company's management organization and administration are of secondary importance for the acquisition, is classified as an asset acquisition. For an asset acquisition, no deferred tax is recognized attributable to the acquisition.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

Non-controlling interests

Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill).

In step acquisitions in which a controlling influence is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in the income statement. If the controlling influence is lost upon the divestment of an operation, the result is recognized in the income statement. The portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the remeasurement effect recognized in the income statement.

Acquisitions in which a controlling influence is achieved are recognized as an equity transaction, meaning a transfer between equity attributable to owners of the Parent and non-controlling interests. The same applies for divestments that take place without the loss of a controlling influence.

Acquisitions

In 2019, approximately 30,000 hectares of forest assets was acquired in Estonia and Latvia through three transactions at a price of about SEK 950m on a debt-free basis. No significant acquisitions took place in 2018.

Divestments

The subsidiary SCA Logistics B.V. (Rotterdam) was divested in the third quarter of 2019. The divestment is presented in Note G1.

G. OTHER

G1. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

AP ACCOUNTING PRINCIPLES

Non-current assets held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassification. The gain is limited to the amount equivalent to previously made impairment charges. Gains and losses recognized on remeasurement and divestment are recognized in the income statement for the period. No non-current assets held for sale were recognized in 2019.

Discontinued operations

When an independent business segment or a significant operation within a geographic area is divested, it is classified as a discontinued operation. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation.

Discontinued operation SCA Logistics B.V.

Shares in SCA Logistics B.V. were divested in September 2019. Discontinued operations referred to the terminal in Rotterdam, the Netherlands. The transaction had an impact on operating profit of SEK 78m. The cash flow effect was SEK 370m. The transaction reduced SCA's net debt by SEK 660m (including a decrease in lease liability). The divestment is expected to reduce SCA's EBITDA by about SEK 30m on an annual basis.

G2. LEASING

AP ACCOUNTING PRINCIPLES

IAS 17 Leases and associated interpretations was replaced by IFRS 16 Leases from January 1, 2019. The disclosure of lease agreements can be found in Note D4. Lease agreements were previously classified and recognized as either operating or finance leases.

The following was applicable in accordance with IAS 17: In cases where a lease agreement essentially entails that the risks and rewards normally associated with ownership have been transferred to SCA, the lease agreement is classified as a finance lease. The leased asset is recognized as a non-current asset with a corresponding interest-bearing liability. The initial value of both these items comprises the lower of the fair value of the assets or the present value of the minimum lease payments. Future lease fees are divided between amortization and interest, so that each reporting period is charged with an interest amount that corresponds to a fixed interest rate on the recognized liability for the respective period. The leased asset is depreciated according to the same principles that apply to other assets of the same nature. If it is uncertain whether the asset will be taken over at the end of the leasing period, the asset is depreciated over the lease term if this is shorter than the useful life that applies to other assets of the same nature. Lease agreements, in which the risks and rewards normally associated with ownership are essentially carried by the lessor, are classified as operating leases. The lease payments are expensed on a straight-line basis over the lease term.

Leasing expenses

SEKm	2018
Operating leases	-289
Total	-289

Operating leases, future minimum lease payments

SEKm	2018
Within 1 year	260
Between 2 and 5 years	758
Later than 5 years	1,043
Total	2,061

The disclosure of future minimum lease payments for 2018 has been adjusted by SEK 432m as rental payments pertaining to locomotives were incorrectly excluded from the disclosure in the 2018 Annual Report.

G3. CONTINGENT LIABILITIES, PLEDGED ASSETS AND COMMITMENTS

AP ACCOUNTING PRINCIPLES

A contingent liability is recognized when there is a potential or actual obligation arising from events that have occurred that is not recognized as a liability or provision, either because it is improbable that an outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

Contingent liabilities

SEKm	2019	2018
Guarantees for:		
associated companies	5	5
customers and others	31	39
Other contingent liabilities	18	23
Total	54	67

In 2007, SCA entered into a sale and leaseback transaction with a European bank relating to the soda recovery boiler at the kraftliner plant in Obbola, Sweden. The term of the contract is 25 years and SCA has a right to terminate the transaction in 2023 without any financial consequences. SCA has retained all risks and rewards associated with ownership. SCA has therefore continued to recognize the soda recovery boiler as a non-current asset in the balance sheet. The present value of SCA's future rental amounts was SEK 671m. A corresponding amount was invested in a security with an A rating issued by the counterparty and deposited in a Swedish bank assigned to handle rental payments during the term of the contract. Should the counterparty's rating fall below BBB-, SCA is entitled, without incurring any financial consequences, to terminate the transaction in advance. Should SCA, as a result of extraordinary events (of a force majeure nature), choose not to fulfill, or cannot fulfill the leasing contract, SCA is liable to compensate the counterparty for any economic loss that may be incurred as a result. Compensation varies during the duration of the contract and can amount to a maximum of 11% of the transaction amount. SCA has the facility at its disposal without operational restrictions. The lease and depositary arrangement have been recognized net in SCA's balance sheet since 2007.

Pledged assets

SEKm	2019	2018
Chattel mortgages	20	20
Total	20	20

Liabilities for which these assets were pledged amount to SEK 0m (0).

Commitments

SCA has a decided investment in Obbola totaling SEK 7.5bn over a five-year period. As of December 31, 2019, SEK 6.6bn remained. Of this amount, SEK 2.6bn is a contracted commitment which, in its entirety, refers to fixed assets.

G4. TRANSACTIONS WITH RELATED PARTIES

To the extent that transactions with related parties took place, these were based on generally accepted commercial terms and conditions and pricing in the industry, and were entered into on standard commercial conditions.

For information regarding salaries and other remuneration, costs and obligations for pensions and similar benefits for the Board, CEO and other senior executives, refer to Notes C3 and C4.

Otherwise, no transactions took place between SCA and related parties.

Parent Company income statement **PIS**

SEKm	Note	2019	2018
Operating income			
Other operating income		235	224
Total income		235	224
Operating expenses			
Other operating expenses	PC1	-160	-148
Personnel costs	PC2	-91	-114
Depreciation		-86	-79
Total operating expenses		-337	-341
Operating profit		-102	-117
Financial items			
	PC11		
Result from participations in Group companies		-	850
Interest income and similar profit items		192	196
Interest expenses and similar loss items		-94	-72
Total financial items		98	974
Profit after financial items		-4	857
Appropriations	PC5	1,793	1,663
Profit before tax		1,789	2,520
Tax on profit for the period	PC6	-390	-266
Profit for the period		1,399	2,254

Parent Company statement of comprehensive income **POCI**

SEKm	2019	2018
Profit for the period	1,399	2,254
Other comprehensive income	-	-
Total comprehensive income	1,399	2,254

Parent Company balance sheet PBS

SEKm	Note	2019	2018
ASSETS			
Non-current assets			
Land and buildings	PC7	8,641	8,489
Tangible fixed assets		8,641	8,489
Participations in Group companies	PC8	9,604	4,758
Other long-term receivables		77	80
Financial fixed assets		9,681	4,838
Total fixed assets		18,322	13,327
Current assets			
Receivables from subsidiaries	PC9	12,100	17,145
Current tax assets	PC6	41	-
Other current receivables	PC10	274	328
Cash and bank balances	PC11	148	226
Total current assets		12,563	17,699
Total assets		30,885	31,026
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	PC13	2,350	2,350
Revaluation reserve		1,740	1,740
Statutory reserve		7,283	7,283
Total restricted equity		11,373	11,373
Retained earnings		7,152	6,127
Profit for the period		1,399	2,254
Total non-restricted equity		8,551	8,381
Total equity		19,924	19,754
Provisions			
Provisions for pensions	PC4	43	29
Provisions for taxes	PC6	1,551	1,546
Total provisions		1,594	1,575
Non-current liabilities			
Non-current interest-bearing liabilities	PC11	5,180	5,180
Other non-current liabilities		56	75
Total non-current liabilities		5,236	5,255
Current liabilities			
Current interest-bearing liabilities	PC11	3,500	2,551
Liabilities to subsidiaries	PC9	517	1,627
Trade payables		0	1
Current tax liabilities	PC6	0	56
Other current liabilities	PC12	114	207
Total current liabilities		4,131	4,442
Total equity, provisions and liabilities		30,885	31,026

Parent Company statement of change in equity PEQ

SEKm	Share capital ¹⁾	Revaluation reserve	Statutory reserve	Retained earnings and profit for the period	Total equity
Value January 1, 2019	2,350	1,740	7,283	8,381	19,754
Dividend, SEK 1.75 per share	–	–	–	–1,229	–1,229
Profit for the period	–	–	–	1,399	1,399
Value December 31, 2019	2,350	1,740	7,283	8,551	19,924
Value January 1, 2018	2,350	1,740	7,283	7,174	18,547
Dividend, SEK 1.50 per share	–	–	–	–1,054	–1,054
Effect due to change in accounting principle	–	–	–	7	7
Profit for the period	–	–	–	2,254	2,254
Value December 31, 2018	2,350	1,740	7,283	8,381	19,754

1) Refer also to Note PC13.

Parent Company cash flow statement PCF

SEKm	Note	2019	2018
Operating activities			
Profit/loss after financial items		-4	857
TPC:1 Adjustment for non-cash items		-133	52
		-137	909
Paid tax	PC6	-485	-206
Cash flow from operating activities before changes in working capital		-622	703
Change in operating receivables		5,099	-3,523
Change in operating liabilities		-1,223	1,805
Cash flow from operating activities		3,254	-1,015
Investing activities			
Acquisition of fixed assets		-268	-207
Acquisition of financial assets	PC8	-4,863	-
Divestment of financial assets		-	57
Divestment of tangible fixed assets		285	40
Cash flow from investing activities		-4,846	-110
Financing activities			
Loans raised		1,000	3,680
Amortization of debt		-50	-3,021
Dividend		-1,229	-1,054
Group contributions		1,793	1,663
Cash flow from financing activities		1,514	1,268
Cash flow for the period		-78	143
Cash and bank balances, January 1		226	83
Cash and bank balances, December 31		148	226

TPC:1 Adjustment for non-cash items

SEKm	2019	2018
Depreciation of fixed assets	86	79
Capital gain on divestment of fixed assets	-256	-36
Unrealized exchange rate effects/changes in value of receivables and financial assets	18	1
Change in provisions	19	1
Other items	0	7
Total	-133	52

Supplementary disclosures to cash flow

SEKm	2019	2018
Interest and dividends paid and received		
Dividends received	-	850
Group contribution received	2,256	2,801
Group contribution paid	-463	-1,138
Interest paid	-58	-29
Interest received	192	197
Total	1,927	2,681

PC. PARENT COMPANY NOTES

PC1. OTHER OPERATING EXPENSES

Auditing expenses

SEKm	2019	2018
EY		
Audit assignments	-4	-4
Auditing activities other than the audit assignment	-1	-
Total	-5	-4

PC2. PERSONNEL AND BOARD COSTS

Personnel and Board costs

SEKm	2019	2018
Salaries and remuneration	-58	-69
of which Executive Management	-50	-61
of which Board	-8	-8
Pension costs ¹⁾	-12	-13
Other social security costs	-20	-30
Other personnel costs	-1	-2
Total	-91	-114

1) The Parent Company's pension costs pertain entirely to the President and other senior executives.

PC3. PERSONNEL DATA

Average number of employees

	2019	2018
Average number of employees	12	13
of whom men	10	11
of whom women	2	2

The Parent Company's employees consist solely of the President and other senior executives.

PC4. PROVISIONS FOR PENSIONS

Provisions for pensions

AP ACCOUNTING PRINCIPLES

The Parent Company's provisions for pensions are secured by the Pension Obligations Vesting Act (Tryggandelagen) and through capital insurance policies. The main difference between the rules of the Pension Obligations Vesting Act and IAS 19 in respect of pensions is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of the pension obligation. Both defined contribution and defined benefit plans exist in the Parent Company.

Other pension obligations

The Group's Note C3 describes the other pension plans of the Parent Company.

Capital value of pension obligations relating to self-administered pension plans

SEKm	2019	2018
Provisions in accordance with the Pension Obligations Vesting Act	28	28
Provisions outside the Pension Obligations Vesting Act's regulations	15	1
PBS Total	43	29

Of the total pension liability in 2019 of SEK 43m, SEK 15m (1) is a direct pension liability secured through capital insurance policies. The direct pension liability is not secured in accordance with the Pension Obligations Vesting Act. The capital insurance policies are reported as other long-term receivables in the balance sheet. For the remainder of the pension liability, external actuaries have carried out capital value calculations pursuant to the provisions of the Pension Obligations Vesting Act. The discount rate is 0.7% (0.6).

The company's outstanding pension obligations as per the balance sheet on December 31, 2019 relate to the President and other senior executives.

PC5. APPROPRIATIONS

AP ACCOUNTING PRINCIPLES

For Group contributions, the Parent Company applies the alternative rule of RFR 2 and recognizes Group contributions paid and received, net, as appropriations.

Appropriations

SEKm	2019	2018
Group contributions received from subsidiaries	2,256	2,801
Group contributions paid to subsidiaries	-463	-1,138
PIS Total	1,793	1,663

PC6. TAXES

AP ACCOUNTING PRINCIPLES

Tax pooling in the Group is carried out via Group contributions paid and received. For Group contributions, the Parent Company applies the alternative rule of RFR 2 and recognizes Group contributions paid and received, net, as appropriations.

The Parent Company recognizes the majority of the Group's Swedish taxes. The **TPC6:1** table calculates the expected tax expense based on profit before tax multiplied by the current tax rate.

Tax expense (+), tax income (-)

SEKm	2019	2018
TPC6:2 Deferred tax	2	-33
Current tax	388	299
PIS Total	390	266

TPC6:1 Explanation of tax expense

Reconciliation	2019		2018	
	SEKm	%	SEKm	%
Profit before tax	1,789		2,520	
PIS Tax expense/income	390	21.8	266	10.6
Expected tax	383	21.4	554	22.0
Difference	7	0.4	-288	-11.4
The difference is due to:				
Taxes related to prior periods	-1	-	-	-
Tax arising from changed tax rate	-	-	-105	-4.2
Non-taxable dividends from subsidiaries	-	-	-187	-7.4
Other items	8	0.4	4	0.2
Total	7	0.4	-288	-11.4

Current tax liability (+), tax asset (-)

SEKm	2019	2018
Value January 1	56	-37
Current tax expense	388	299
Paid tax	-485	-206
PBS Value December 31	-41	56

TPC6:2 Deferred tax expense (+), tax income (-)

SEKm	2019	2018
Changes in temporary differences	2	-33
Total	2	-33

PC7. TANGIBLE FIXED ASSETS**AP ACCOUNTING PRINCIPLES**

The Parent Company's tangible fixed assets are recognized in accordance with the Group's accounting principles. The Parent Company recognizes standing timber as a tangible fixed asset at historical cost. No systematic depreciation or changes in value in conjunction with felling is carried out in the Parent Company. Collective revaluation of forest assets has occurred. The revaluation amount was placed in the revaluation reserve in equity.

On consolidation, forest assets are recognized at fair value and are divided into standing timber and land assets. Standing timber is recognized as a biological asset according to IAS 41 Agriculture, and land assets attributable to forest assets are recognized as tangible fixed assets at fair value according to paragraph 31 in IAS 16 Property, plant and equipment. For further information, refer to Note D3.

Tangible fixed assets

SEKm	Buildings		Land and land improvements		Machinery and equipment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated costs	172	157	4,330	4,067	5	5	4,507	4,229
Accumulated depreciation	-119	-113	-1,191	-1,111	-5	-5	-1,315	-1,229
Accumulated write-ups	-	-	5,449	5,489	-	-	5,449	5,489
Residual value according to plan	53	44	8,588	8,445	-	-	8,641	8,489
Value January 1	44	50	8,445	8,315	-	-	8,489	8,365
Investments	15	-	253	207	-	-	268	207
Disposals	-	-1	-30	-3	-	-	-30	-4
Depreciation for the period	-6	-5	-80	-74	-	-	-86	-79
PBS Value December 31	53	44	8,588	8,445	-	-	8,641	8,489

Land and land improvements includes the carrying amount of SEK 7,631m (7,505) for forest land.

PC8. PARTICIPATIONS IN GROUP COMPANIES

AP ACCOUNTING PRINCIPLES

The Parent Company recognizes all holdings in Group companies at cost after deduction for any accumulated impairment losses. An assessment is carried out on an annual basis to determine if any impairment is needed in the item Participations in Group companies. The need for impairment is determined individually and impairment is effected if the value decrease is considered permanent. Impairment is recognized in the item result from participations in Group companies.

Impairment testing

Testing means the carrying amount of shares in subsidiaries is compared with consolidated equity. The annual impairment testing of the carrying amount of shares in subsidiaries has not resulted in any impairment.

SEKm	2019	2018
Accumulated costs	9,604	4,758
Carrying amount	9,604	4,758
Value January 1	4,758	4,758
Investments	4,846	–
PBS TPC8:1 Value December 31	9,604	4,758

In 2019, the Parent Company provided an unconditional shareholders' contribution to the subsidiary SCA Graphic Holding AB amounting to SEK 4,846m.

Participations in Group companies

TPC8:1 Parent Company's holdings of shares in subsidiaries, December 31, 2019

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries					
SCA Graphic Holding AB	556479-2058	Sundsvall, Sweden	1,000	100	9,604
SCA Skogsfastigheter AB	556207-6256	Sundsvall, Sweden	1,000	100	0
SCA Kraftfastigheter AB	556449-7237	Sundsvall, Sweden	1,000	100	0
Total carrying amount of subsidiaries					9,604

PC9. RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

Receivables from and liabilities to subsidiaries

SEKm	2019	2018
Current assets		
Interest-bearing receivables	9,780	14,184
Other receivables	2,320	2,961
PBS Total	12,100	17,145
Current liabilities		
Interest-bearing liabilities	103	97
Other liabilities	414	1,530
PBS Total	517	1,627

PC10. OTHER CURRENT RECEIVABLES

Other current receivables

SEKm	2019	2018
TPC10:1 Prepaid expenses and accrued income	17	20
Other receivables	257	308
PBS Total	274	328
TPC10:1 Prepaid expenses and accrued income		
SEKm	2019	2018
Other items	17	20
Total	17	20

PC11. FINANCIAL INSTRUMENTS

AP ACCOUNTING PRINCIPLES

Financial assets and liabilities are recognized at amortized cost, with the exception of derivatives, which are measured at fair value.

The accounting principles for financial instruments in the Parent Company are in accordance with the Group's accounting principles except that hedge accounting is not applied, see Note E1. Financial instruments are classified in accordance with IFRS 9. For definitions, see Note E1.

Financial items

SEKm	2019	2018
Result from participations in Group companies		
Dividends from subsidiaries	–	850
Interest income and similar profit items		
Interest income, subsidiaries	192	196
Interest expenses and similar loss items		
Interest expenses, external	–56	–24
Interest expenses, subsidiaries	–5	–2
Other financial expenses ¹⁾	–33	–46
PIS Total	98	974

1) The item includes exchange rate differences amounting net to SEK –1m (–4).

Interest-bearing liabilities**Non-current interest-bearing liabilities**

SEKm	Carrying amount		Fair value	
	2019	2018	2019	2018
Loans with maturities > 1 year < 5 years	1,791	3,200	1,797	3,203
Loans with maturities > 5 years	3,389	1,980	3,390	1,983
PBS Total	5,180	5,180	5,187	5,186

Current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2019	2018	2019	2018
Loans with maturities < 1 year	3,500	2,551	3,507	2,549
PBS Total	3,500	2,551	3,507	2,549

For further information about borrowing activities during the year, refer to Note E4.

Financial instruments by category**Financial assets measured at amortized cost**

SEKm	2019	2018
Assets		
Financial fixed assets		
Interest-bearing receivables	21	4
Current assets		
Receivables from subsidiaries	9,780	14,184
Other current receivables	1	1
PBS Cash and bank balances	148	226
Total	9,950	14,415

Financial liabilities measured at amortized cost

SEKm	2019	2018
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	5,180	5,180
Current liabilities		
Interest-bearing liabilities	3,500	2,551
Liabilities to subsidiaries	103	99
Trade payables	0	1
Other current liabilities	10	2
Total	8,793	7,833

Financial assets measured at fair value in the income statement

SEKm	2019	2018
Derivatives-current financial assets	0	-
Derivatives - Current financial assets	3	9
Derivatives - Other long-term receivables	56	75
Derivatives - Other current receivables	166	421
Total	225	505

Financial liabilities measured at fair value in the income statement

SEKm	2019	2018
Derivatives - Other non-current liabilities	56	75
Derivatives - Other current liabilities	166	421
Total	222	496

PC12. OTHER CURRENT LIABILITIES**Other current liabilities**

SEKm	2019	2018
TPC12:1 Accrued expenses and prepaid income	43	71
Other operating liabilities	71	136
PBS Total	114	207

TPC12:1 Accrued expenses and prepaid income

SEKm	2019	2018
Accrued interest expenses	4	3
Accrued social security costs	7	11
Accrued vacation pay liability	1	1
Other liabilities to personnel	14	27
Other items	17	29
Total	43	71

PC13. SHARE CAPITAL

The change in equity is shown in the Parent Company statement of change in equity on page 126. The share capital and number of shares have changed since 1993 on account of new issues, new subscription, conversions, splits, and the cancellation of treasury shares as set out below:

Year	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1993	Number of shares, January 1, 1993	172,303,839		
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1
	New issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7
1994	Conversion of debentures	16,285	0.2	–
1995	Conversion of debentures	3,416,113	34.2	–
1999	New issue 1:6, issue price SEK 140	32,899,989	329.0	4,579.0
2000	Conversion of debentures	101,631	1.0	15.0
2001	New issue, private placement	1,800,000	18.0	18.0
2002	New subscription through IIB warrants	513	–	0.1
2003	Conversion of debentures	1,127,792	11.3	288.4
	New subscription through IIB warrants	1,697,683	17.0	434.5
2004	Conversion of debentures	9,155	0.1	1.1
2007	Split 3:1	470,073,396	–	–
2017	Cancellation of treasury shares	–2,767,605	–	–
2019	Number of shares December 31, 2019	702,342,489		

SCA's share capital, December 31, 2019

	No. of votes per share	No. of shares	Share capital SEKm
Class A shares	10	64,587,672	216
Class B shares	1	637,754,817	2,134
Total		702,342,489	2,350

The quotient value of the Parent Company's shares amounts to SEK 3.35.

PC14. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

SEKm	2019	2018
Guarantees for subsidiaries	750	704
Other contingent liabilities	285	231
Total	1,035	935

Pledged assets

SEKm	2019	2018
Chattel mortgages	20	20
Total	20	20

PC15. PROPOSED DISPOSITION OF EARNINGS

Annual accounts 2019

Disposition of earnings, Parent Company (SEK)

Non-restricted equity in the Parent Company:	
Retained earnings ¹⁾	7,152,571,200
Profit for the period	1,398,645,878
Total	8,551,217,078

The Board of Directors and the President propose:

– to be distributed to shareholders, a dividend of SEK 2.00 per share	1,404,684,978
– to be carried forward	7,146,532,100
Total	8,551,217,078

1) Retained earnings have risen by SEK 113,680 due to dividends returned.

The annual accounts are subject to adoption by SCA's Annual General Meeting and will be presented for approval at the Annual General Meeting on March 31, 2020.

Sustainability facts

SCA's sustainability work is integrated into the Group's operations and business decisions. SCA's 2019 Sustainability Report is an integrated part of the combined Annual Report. The following pages present supplementary information, such as the Group's work in various areas of sustainability, information about the report, stakeholder dialogue, materiality analysis, prioritized topics, sustainability targets, calculation methods and multi-year summary of the Group's sustainability data.

Value creation

Through its operations, SCA helps to create value for a large number of stakeholders. These values include:

- Climate benefit from growing forests that capture and bind CO₂ and products that replace fossil-based alternatives
- Enabler of a circular society by providing access to renewable products and renewable energy
- Shareholder value for the company's shareholders
- Value of forest land through a stable wood supply to SCA's industries
- Job opportunities in the company's operations and at contractors
- Business opportunities for suppliers of goods and services
- Recreation and outdoor activities in the company's forests
- Sustainable local communities and regional development through the company's presence and operations

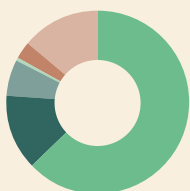
SCA sustainability platform

SCA's sustainability ambition encompasses social, economic and environmental goals, which are integrated into the company's work and business development. SCA's sustainability platform covers the company's operations as a whole and is an important component of the SCA brand. Profitable growth is the foundation of the company's strategy and part of sustainable development. Long-term economic returns are an integrated part of SCA's sustainability platform together with the other components: Fossil-free world, Valuable forests, Efficient use of resources, Responsibility for people and the community, and its set of Values. Through these six components, SCA makes a direct or indirect contribution to all 17 Sustainable Development Goals formulated by the UN. The connection to the goals is presented in the table on the next page.

Sustainability targets

The Group's sustainability targets are presented in the table "Strategic priorities and sustainability targets". The targets encompass three dimensions: social, economic and environmental sustainability. The Group-wide targets are supplemented with targets at unit level based on local needs. These are based on the unit's analysis that may include an evaluation of environmental aspects, recruitment needs and other improvement or development needs.

Economic value creation



The area of the circle represents SCA's revenue, including changes in value to biological assets, totaling SEK 22,485m (2018: SEK 21,362m)

- 63.0% Payments to suppliers including other forest owners: SEK 14,169m (13,059)
- 13.3% Salaries, social security costs and pension provisions to SCA's employees: SEK 2,997m (3,041)
- 6.2% Dividend to shareholders, in accordance with Board's proposal: SEK 1,405m (1,229)
- 0.6% Interest paid to creditors: SEK 126m (29)
- 3.2% Income tax to society: SEK 730m (314)
- 13.7% Remaining in SCA: SEK 3,058m (3,690)

A large portion of payments to suppliers were made to suppliers in SCA's local area in Northern Sweden. This is particularly the case for purchasing wood raw material and contractors' services. For payments to employees, SEK 2,723m (91%) pertain to employees in Sweden, mainly in Northern Sweden. A significant share of this figure was received by municipalities and the state in Sweden, through the payment of social security costs, payment by employees of municipal and state income taxes, and through the consumption of products and services. 98% of the reported income tax amount pertains to Sweden. Most, SEK 446m, consists of current tax expense and the remaining SEK 284m of deferred tax income. The amount "Remaining in SCA" comprises profit for the period excluding depreciation/amortization and deductions for the dividend for 2019 in accordance with the Board's proposal. Further information about the cost structure is available in the Board of Directors' Report and regarding income taxes in Notes B2, B3 and B4. The calculations exclude the impact of changed accounting method for the valuation of forest assets.

Examples of how SCA is contributing to the UN Sustainable Development Goals

Goal	Description of goal	Target	Values	Profitable growth	Fossil-free world	Valuable forests	Efficient use of resources	Responsibility for people and the community	
1	No poverty	1.5	●						Requirement that suppliers comply with SCA's Supplier Standard (for example minimum wages). Risk-based audits performed on-site. Indirect impact.
2	Zero hunger	2.1	●						Requirement that suppliers comply with SCA's Supplier Standard. Audits performed on-site. Indirect impact.
3	Good health and well-being	3.4 3.5 3.9				●	●	●	SCA's forests offer nature experiences, which contribute to better health. Kalla Champs encourages children to move around. ZERO program for an accident-free and healthy SCA. Random drug tests.
4	Quality education	4.4						●	Participation in external training programs, work experience for young people through work placements and vacation work. Upskilling using the 70-20-10 model.
5	Gender equality	5.1 5.5	●					●	Work to increase diversity and an inclusive company culture through a wider recruitment base and a living Code of Conduct. Targeted initiative to increase the proportion of women among summer workers.
6	Clean water and sanitation	6.3 6.6				●	●		SCA's units use almost only surface water as their freshwater supply. Effective control and programs to reduce process emissions to water. Recreating wetlands. Environmental considerations in connection with final felling.
7	Affordable and clean energy	7.2 7.3			●		●		Renewable energy is produced in large quantities from residual products, which makes SCA's processes almost fossil-free. Any surplus is sold as biofuel and district heating. Green electricity is produced from pulp mills and is made possible by wind power on SCA's forest land. Innovation regarding biorefineries.
8	Decent work and economic growth	8.4 8.5 8.8	●	●			●	●	Good working conditions and excellent possibilities for skills development for SCA's employees. Requirement to comply with SCA's Supplier Standard. SCA's strategy for profitable growth. Cooperation with tourism businesses.
9	Industry, innovation and infrastructure	9.4				●	●		Continuous improvements to increase resource efficiency through various programs, for example ESAVE, POEx and TIPS. Innovation to launch renewable products. Investment in forest roads.
10	Reduced inequalities	10.2	●	●				●	Job opportunities, the procurement of services and the sponsorship of local associations to support meaningful leisure activities all contribute to sustainable local communities. Dialogue and influence through SCA's Supplier Standard.
11	Sustainable cities and communities	11.4 11.6 11.a				●	●	●	Long-term economically viable operations, jobs and business opportunities for contractors and suppliers. Cooperation and partnership for regional development. Wood as construction material. SCA's conservation parks.
12	Responsible consumption and production	12.2 12.4 12.5	●		●	●	●		Renewable products that contribute toward a circular society and reduce fossil dependency. Minimize own waste and work with chemical substitution. Sustainable harvesting levels in the company's forests
13	Climate action	13.1			●	●	●		Climate benefit from growing forests that capture and bind CO ₂ , fossil-free production and substitution of fossil-based materials. Efficiency enhancements and adaptation further reduce the climate impact.
14	Life below water	14.1			●		●		Systematic work to minimize emissions to water and marine environments. Fiber-based packaging replaces plastic and reduces contamination of the seas.
15	Life on land	15.1 15.2 15.5				●			Responsible and active forestry management taking into account nature conservation in every measure. FSC and PEFC certification. Encourage external suppliers to take greater consideration for nature conservation (SCA level). Targeted initiatives to promote biodiversity.
16	Peace, justice and strong institutions	16.2 16.5	●					●	A living Code of Conduct across the organization. SCA's Supplier Standard Evaluation of countries with regard to human rights and business ethics. Clear rejection of corruption.
17	Partnerships for the goals	17.16	●			●		●	Participation at national and international level to develop environmentally certified forest operations. Partnership with other companies and stakeholders to increase circularity. Member of the UN Global Compact.



Governance and materiality

Sustainability governance

SCA's President has the overall responsibility for the governance of SCA's business in the field of sustainability. The main purpose of all governance at SCA is to guarantee the Group's commitments to its stakeholders. A description of governance within the SCA Group, including sustainability, can be found in the Corporate Governance Report. The sustainability agenda is based on SCA's set of values and regulated through the Group's policies, where the Code of Conduct and Sustainability Policy form the basis of sustainability work.

The sustainability agenda is headed by the Group's Sustainability Director via SCA's Sustainability Council and a number of cross-functional networks, such as the Environmental Network and the Occupational Health and Safety Network. The Sustainability Council comprises members from Executive Management and the company's Sustainability Director. The Group's sustainability targets are formulated based on the materiality analysis and on strategic priorities. These are supplemented at local level with unit-specific targets. Risks linked to the field of sustainability are included in the Group's total risk management. A description of the most significant risks and an account of how these risks are managed can be found in the Board of Directors' Report.

Follow-up of sustainability work

Follow-up and evaluation of sustainability work complies with SCA's procedures for self-assessment, internal control and audits, as described in the Corporate Governance Report. Follow-up is conducted at unit level together with other monitoring of targets, and aggregated at Group level. The outcome of the Group-wide targets is monitored by the Group's cross-functional network and by SCA's Sustainability Council. Any discrepancies are reported using the Group-wide discrepancy procedures and corrective measures are identified and implemented.

External initiatives and membership in organizations and certifications

SCA monitors and wants to contribute in various ways toward global initiatives aimed at achieving a better world. SCA is

a member of the UN Global Compact, an initiative aimed at convincing companies to take responsibility for the UN's ten principles in the areas of human rights, working conditions, the environment and anti-corruption. SCA is also active in a number of international, national and regional trade organizations.

SCA supports the 2030 Agenda and the UN's 17 Sustainable Development Goals. The company works with goals as a whole and makes a direct or indirect contribution to all of these goals, see page 135. The goals form an important basis for the materiality analysis.

SCA is committed to active and responsible forest management, and supports the two international certification systems for forests and forest raw materials, the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). SCA is represented at both international and national levels. Furthermore, SCA works to raise awareness of how active forest management and increasing the use of forest products can help to combat climate change. Most of SCA's operations are certified in accordance with ISO 14001, 50001, 9001 and OHSAS 18001/ISO 45001, as detailed on sca.com.

SCA wants to contribute to the transformation to a fossil-free society and is a member of the Fossil Free Sweden initiative. SCA participates in the WWF Environmental Paper Company Index, and is a member of the WWF Global Forest & Trade Network (GFTN).

Stakeholder dialogues

SCA engages in continuous dialogue with various stakeholders in order to identify areas that should be prioritized and to continuously improve the company's value creation. SCA identifies its primary stakeholders based on their interests and potential influence on the Group, and their material impact on the Group's business.

The business areas maintain a close dialogue with their customers and follow up customer satisfaction through surveys, face-to-face meetings and third-party assessments. SCA regularly meets investors and analysts. The Group performs All Employee Surveys and annual target and performance management reviews for its employees. Moreover, SCA communicates

Stakeholder dialogues

Stakeholder groups	How we conduct dialogues	Main topics	How we address the issues
Customers and consumers	Customer visits, interviews, participation in customer events and seminars, trade fairs, mailings, website, social media	Climate benefit, environmental impact, ecolabelling, fiber sourcing, forestry, biodiversity, human rights, reindeer herding, occupational health and safety, customer benefits, resource efficiency, innovation, quality, product safety	<ul style="list-style-type: none"> • Customer surveys and customer visits • Visits by customers to show our company's value chain • Dialogue and onsite visits to demonstrate responsible forest management • Dialogue about climate footprint, FSC and PEFC certification, product safety • Training in Code of Conduct and the Global Supplier Standard • Development of new products and service concepts together with customers. Life cycle management of products • Visit to customers by experts in various fields • Customers who perform audits of our operations • Ecolabels and so forth, such as WWF ECPI • Participation at trade fairs at national and international levels, for example DehliWood in India
Employees	Performance reviews, workplace meetings, work councils, online surveys, intranet, internal courses, management meetings	Health and safety, values and workplace culture, recruitment, skills development, succession planning, compensation and benefits, gender equality, business ethics, working conditions, resource efficiency, environmental impact, product development	<ul style="list-style-type: none"> • Training in the Code of Conduct, anti-corruption and business ethics, introductory course for new employees, skills-enhancement activities, Early career program • Program ZERO for developing a health and safety culture, ISO 45001 certification (previously OHSAS 18001) • All Employee Survey, equal opportunity plans, change management training • Trade union interaction, such as business council meetings, collaboration meetings and safety committee meetings • Participation in ASAP, student fairs and scholarships • SCA's podcast Ingenjörspodd
Investors and owners	Investor meetings in conjunction with, for example, interim reports, capital market days, risk reports, the AGM, interviews, website	Financial performance, market outlook, dividend and financial targets, areas of growth, forest valuation, risk management, climate impact, sustainability, corporate governance	<ul style="list-style-type: none"> • AGM March 20, 2019 • Investor and analyst meetings • Roadshows in conjunction with quarterly accounts • Risk management as part of the Board of Directors' Report in the Annual report • Seminar on climate benefit in February 2019
Suppliers	Follow-up meetings, request for tenders and procurements, interviews, website	Health and safety, supplier audits, business ethics, human rights, energy consumption, resource efficiency, climate impact	<ul style="list-style-type: none"> • SCA's Supplier Standard as part of contracts • Supplier assessments and follow-up meetings • Risk-based supplier audits performed on-site • Training of purchasing staff • Process for assessing countries and suppliers from a sustainability perspective
Private forest owners	Forest owner meetings, face-to-face meetings, customer magazine, website, social media	Management methods, forestry plans, ownership rights, forest certification, nature conservation, profitability	<ul style="list-style-type: none"> • Business contacts on an ongoing basis during the year • Customer satisfaction interviews with private forest owners • A large number of forest owner meetings held • Further development of Skogsvinge™ for better landowner functionality • Collaboration with Skogscertifiering Prosilva AB concerning a group certificate for forest owners • Supervisory and annual reporting to government authorities, for example environmental reports
NGOs	Meetings concerning specific issues, interviews, reporting to ecolabels and sustainability indexes, websites	Forest management, biodiversity, climate and environmental issues, resource efficiency, green energy, human rights, hunting, reindeer herding	<ul style="list-style-type: none"> • Stakeholder dialogues • Memberships and involvement in organizations such as the Swedish Forest Industries Federation, the Confederation of European Paper Industries (CEPI), FSC and PEFC • Involvement in the revision of the Swedish FSC standard, other standards and ecolabels • Onsite visits to the company's forests
Society	Dialogue meetings, local events, public consultation, interviews, websites	Occupational health and safety, environmental issues, local issues, renewable energy, reindeer herding, labor market, education, community engagement, diversity issues, human rights	<ul style="list-style-type: none"> • Dialogues with regulators, government authorities, municipalities and lobbyists • Consultation and dialogue about investments, permits and other local issues • Consultation meetings with local Sami communities and residents living near to SCA's industries and forests • Board representation or participation in organizations for regional development, such as chambers of commerce and Junior Achievement Sweden in the northern counties. • Participation in "Skogen i skolan" and "Teknikspränget"

with other groups and individuals in matters that have a major impact on society in general and local communities in particular, and regularly holds meetings with NGOs and individuals living near SCA's operations. Stakeholder dialogues provide insights into the expectations of various interest groups, help to cultivate long-standing relationships and continuously improve the Group's operations. In addition, the dialogues provide valuable information when the Group assesses its sustainability program and prioritizes sustainability initiatives. The Stakeholder Dialogues table offers an overview of the main stakeholder groups and a summary of the year's dialogues.

Materiality analysis

The materiality analysis is based on stakeholder dialogues, targeted surveys, market trends and the company's and management's strategic priorities. The materiality analysis forms the basis for SCA's strategic direction and priorities in its sustainability work.

SCA conducts a materiality analysis every two years. The most recent was conducted in 2019 and the conclusions are presented in the Materiality analysis illustration. The results show the topics that are of greatest significance for SCA's business and set of values program based on the analysis conducted.

Some 4,000 people were interviewed as part of a targeted survey to obtain an overview of the priorities of the stakeholder groups. The survey included investors and shareholders, analysts, customers, end-consumers, suppliers, NGOs, politicians and employees. The interviews were conducted by an external party. The company's contributions and challenges linked to the UN's 17 Sustainable Development Goals were included as part of the analysis.

Health and safety, responsible forestry, climate impact, ethics and the set of values as well as resource efficiency were topics with the highest priority.

About the Sustainability Report

SCA publishes a sustainability report each year. The latest report was published in March 2019. In June 2017, the hygiene business was distributed in the form of the listed company Essity. Comparable data from 2016 and previous years in this report is from the business unit SCA Forest Products in the former SCA, which largely corresponds to today's SCA Group. In 2019, the terminal in Rotterdam was divested and the company's building materials operations in France merged with Groupe ISB, see the Board of Directors' Report.

Sustainability work is integrated into the Group's operations and the Sustainability Report in accordance with the Annual Accounts Act constitutes part of SCA's Annual Report for 2019. Areas covered by the legislative requirements are clarified in the Board of Directors' Report. The Sustainability Report was submitted to the external auditor together with the Annual Report, refer to the auditor's report.

SCA's 2019 Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core option. The sustainability information in the Annual Report was reviewed by external auditors, see the Auditor's Report.

SCA has not taken a decision to join the Task Force on Climate-related Financial Disclosures (TCFD) initiative. Reporting by the company partly covers TCFD's recommendations.

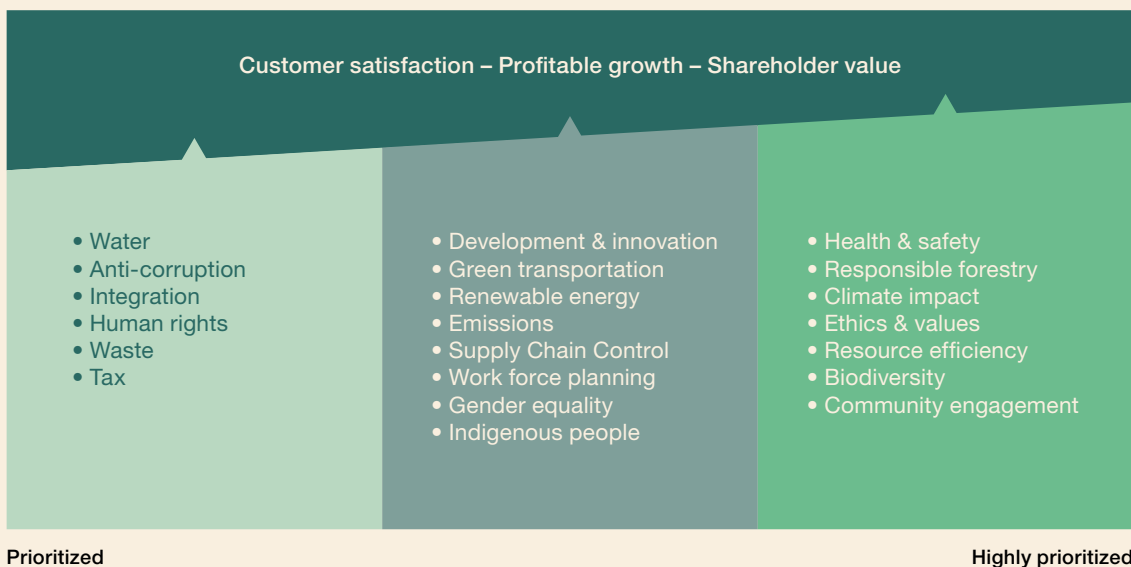
The sustainability report also contains information about how SCA works with the UN Global Compact's Ten Principles in the areas of human rights, working conditions, the environment and anti-corruption.

Boundary of the report

The Sustainability Report covers the SCA Group, including wholly owned subsidiaries and subsidiaries in which SCA owns at least

Materiality analysis

Areas that are of greatest significance for SCA based on the materiality analysis from 2019.





50% of the company, see Note F1 under Financial notes. If SCA owns 50% or more of a company, the entire company is included in the report. Operations divested during the year – the terminal in Rotterdam and the Wood business area's French operations, which as of 2019 merged with Groupe ISB and where SCA's holding is now less than 50% – are included in figures for 2019 for the part of the year that SCA owned the operations.

Environmental data and resource use is stipulated for the manufacturing units, meaning for pulp and paper mills and for saw-mills, building materials and pellets manufacturing. Social data is stipulated for the entire Group and pertains to own employees unless otherwise stated.

As the report is prepared in accordance with the GRI Standards, the materiality principle has had great significance. This means that the report's content is determined by the issues that are most relevant to SCA and its stakeholders, and that the content provides a complete view of the operations. The choice of GRI disclosure numbers is based on the materiality analysis conducted, see the Materiality analysis section.

Data collection

Data provided in the Report is compiled through various systems, primarily the Group's accounting system, Resource Management System (RMS), forest planning systems, SCA's HR system and Afa's Occupational health and safety information systems (the IA systems). Since assumptions and conversion factors may be required for certain calculations, this entails a source of uncertainty. SCA strives to obtain data that is as reliable as possible.

The RMS system describes how the company uses energy, water, transport and raw materials and generates waste and emissions. RMS data is used for internal control, monitoring and analysis, life cycle assessments and external benchmarking. RMS data is reported at unit level using direct measurements and inventories.

Energy consumption is calculated in various ways, such as through direct measurements of consumption or by calculating based on fuel consumption. The conversion factors used are obtained from suppliers or from literature.

For most CO₂ emission calculations, SCA applies the global standard Greenhouse Gas Protocol to measure, manage and report CO₂ emissions. For other environment data, SCA applies recognized measurement and calculation standards, including the Swedish Standards Institute, the Swedish Environmental Protection Agency and the International Energy Agency's factors. The climate impact is stated in the Annual Report as CO₂ and refers to CO₂e unless otherwise specified. The company's climate benefit were quantified on the basis of the model published by SCA in 2019 and presented on sca.com.

Emissions from transportation are calculated based on total transport performed per mode of transport for delivered products, raw materials and input goods. Emissions are calculated by multiplying transportation per transport mode (expressed as tonne kilometers) by typical emission factors for the different modes of transportation. The emission factors used are based on data from the Network for Transportation Measures (NTM) (www.transportmeasures.org). For transportation with SCA's RoRo vessels and container-feeders, the actual fuel consumption and load utilization is used.

Personnel-related data is mainly provided by SCA's HR system. Supporting qualitative data is gathered in SCA's database for sustainability data. The IA system is used for reporting and following-up work-related injuries and incidents at every unit within the Group. Reporting also encompasses contractors who conduct work on SCA's sites. The system is also used for preventive reporting of risk observations. The statistics are aggregated to Group level.

When adjustments have been made compared with earlier years, a note is made directly beside the chart or table.

Strategic priorities and sustainability targets

The areas of strategic priority each correspond to a component in SCA's sustainability platform, see the Strategy and operations segment on page 46.

Strategic priorities	Why material	Impact on value chain	Governance	Material risks ¹⁾	SCA's materiality analysis
Profitable growth	Long-term profitability requires sustainable and profitable growth that creates value for customers, owners, employees and the communities in which the company operates.	Shareholders, society, employees, suppliers	<ul style="list-style-type: none"> • Financial control • Financial Policy • Business development plans 	<ul style="list-style-type: none"> • Financial risks • Demand and market price 	<ul style="list-style-type: none"> • In accordance with the company's strategy
Fossil-free world	SCA produces and sells renewable products that can replace fossil-based alternatives and thereby contribute to reducing global warming. SCA also contributes to climate benefit through the net growth of the company's forests, which capture CO ₂ from the atmosphere, and by continuously striving to reduce greenhouse gas emissions from its own value chain.	Growth in the forest, SCA's operations, suppliers, transports, customers	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • Business development plans 	<ul style="list-style-type: none"> • Political decisions 	<ul style="list-style-type: none"> • Climate impact • Green transportation • Renewable energy
Valuable forests	Forest is an important part of the earth's ecosystem. SCA conducts responsible forest management to preserve biodiversity while the use of forest raw material creates value for our customers and the Group, and ensures future access to renewable forest raw materials.	SCA forests, private forest owners, community, customers	<ul style="list-style-type: none"> • Forest management manual • Quality manuals for forest operations, road construction and transport activities 	<ul style="list-style-type: none"> • Risks in the forest land holding 	<ul style="list-style-type: none"> • Responsible forest management • Biodiversity • Supplier audits
Efficient use of resources	SCA continuously strives to improve its resource efficiency, which contributes to better profitability while also being economical with the planet's resources and reducing the impact on the environment. Water is an essential resource and we safeguard access to clean water by minimizing our emissions. We work continuously to minimize waste and look for new uses for our waste streams.	Own operations, optimizing the value chain, customers	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • ESAVE program • SCA's Innovation Network 	<ul style="list-style-type: none"> • Environmental impact 	<ul style="list-style-type: none"> • Climate impact • Resource efficiency • Development and innovation • Emissions
Responsibility for people and the community	Employees are the company's most important resource. SCA secures the future need of expertise by developing employees and being an inclusive and attractive employer that puts health and safety first. Through the business, jobs are generated, both directly and indirectly, and SCA develops together with, and contributes to, the communities in which the company operates.	Employees (existing and potential), local communities	<ul style="list-style-type: none"> • Sustainability Policy • Health and Safety Policy • HR Policy • Steering committee ZERO • SCA's Occupational Health and Safety Network 	<ul style="list-style-type: none"> • Employee-related risks • Risks at production plants 	<ul style="list-style-type: none"> • Health and safety • Community engagement • Gender equality • Skills supply
Values	To be a credible and transparent company, business is based on a shared set of values that are described in SCA's Code of Conduct, which all employees are to comply with. It is to permeate the company's business relationships and interaction with stakeholders. SCA aims to establish a sustainable supply chain with suppliers that share the company's values.	Employees, suppliers, customers, society	<ul style="list-style-type: none"> • Code of Conduct • Supplier Standard • SCA's Compliance Council 	<ul style="list-style-type: none"> • Business ethics • Suppliers 	<ul style="list-style-type: none"> • Ethics and set of values • Human rights • Supplier audits

1) See section Risks and risk management.

2) According to the Swedish Annual Accounts Act (ÅRL) and UN Global Compact

3) Reports targets and outcome for 2019. The targets will be revised in 2020

4) Total voluntary set-asides and conservation measures during final felling, see also the Responsible forest management section

5) The 2018 Annual Report incorrectly stated the objective of 20% lower energy consumption by 2020

GRI disclosure number	Sustainability area ²⁾	Sustainability targets ³⁾	KPI	Outcome 2019
201-1		<ul style="list-style-type: none"> Sustainable development through responsible, long-term and successful business practices 	<ul style="list-style-type: none"> EBITDA margin EBITDA development Industrial return on capital employed 	27.2% 1.3% relative to 2018 11.9%
305-5	Environment	<ul style="list-style-type: none"> Increase our climate benefit and our value chain is to be fossil-free SCA's forests are to counteract climate change as growing trees bind CO₂, and its products by replacing fossil-based alternatives Increase wind power production on SCA's land to 11 TWh by 2025 	<ul style="list-style-type: none"> Total climate benefit Net uptake in the forest Substitution effect (contribution from products) Emissions in the value chain, Scope 1, 2 and 3 Approved wind power capacity on SCA land 	10.5 million tonnes CO ₂ 5.4 million tonnes CO ₂ 6.0 million tonnes CO ₂ 0.9 million tonnes CO ₂ e 4.4 TWh
304-3	Environment	<ul style="list-style-type: none"> SCA's forests are to be at least as rich in biodiversity, nature experiences and raw material in the future as they are today All wood raw material in our products is to be certified according to FSC or PEFC or fulfill the FSC's standard for controlled wood, FSC CW 	<ul style="list-style-type: none"> Standing volume in own forest Area excluded from timber production for nature conservation⁴⁾ Wood raw material in SCA's products that complies with FSC, PEFC or FSC CW 	252 million m ³ fo 21.0% of productive forest land 100%
302-1	Environment	<ul style="list-style-type: none"> Maximize the use of raw materials and value creation from the wood raw material Decrease the specific energy consumption by 10% between 2010 and 2020⁵⁾ Decrease the specific emissions of suspended solids and phosphorus to water by 10% between 2014 and 2020 	<ul style="list-style-type: none"> Wood consumption and yield are monitored locally at factory level Energy savings Emissions to water of suspended solids and phosphorous 	A new KPI will be developed in 2020 9% lower specific energy consumption compared with 2010. Changes to product portfolio and investment projects impact the outcome Emissions of suspended solids have decreased 24% and phosphorous has decreased by 29% compared with the base year
403-9 405-1	Social conditions and employees Labor	<ul style="list-style-type: none"> Zero workplace accidents Attractive and inclusive employer where diversity is a part of the culture 	<ul style="list-style-type: none"> Workplace accidents, LTA frequency rate Engagement index from the All Employee Survey Share of women in the Group 	7.4 accidents resulting in absence, per million hours worked Index = 78 (from 2018) New survey in 2020 19%
206-1	Human rights Anti-corruption	<ul style="list-style-type: none"> Compliance with SCA's Code of Conduct and all employees to receive regular training in the Code Purchases from suppliers that fulfill SCA's Supplier Standard 	<ul style="list-style-type: none"> Percentage of employees who have received training in the Code of Conduct Percentage of contract suppliers that have approved SCA's Supplier Standard 	96% 93%

Ethics and values

Set of values

SCA has a values-based culture that is an integrated part of the way the company interacts with people, conducts business and operates throughout the entire value chain. SCA is a trustworthy company with a high level of integrity both among employees and with suppliers. The set of values comprises the company's purpose and core values and is described in SCA's Code of Conduct.

Code of Conduct

SCA's Code of Conduct is a framework for putting the Group's core values – responsibility, excellence and respect – into practice and is to ensure that SCA's employees comply with the Group's core values and do not take part in unethical practices. SCA has zero tolerance for victimization, such as discrimination and sexual harassment.

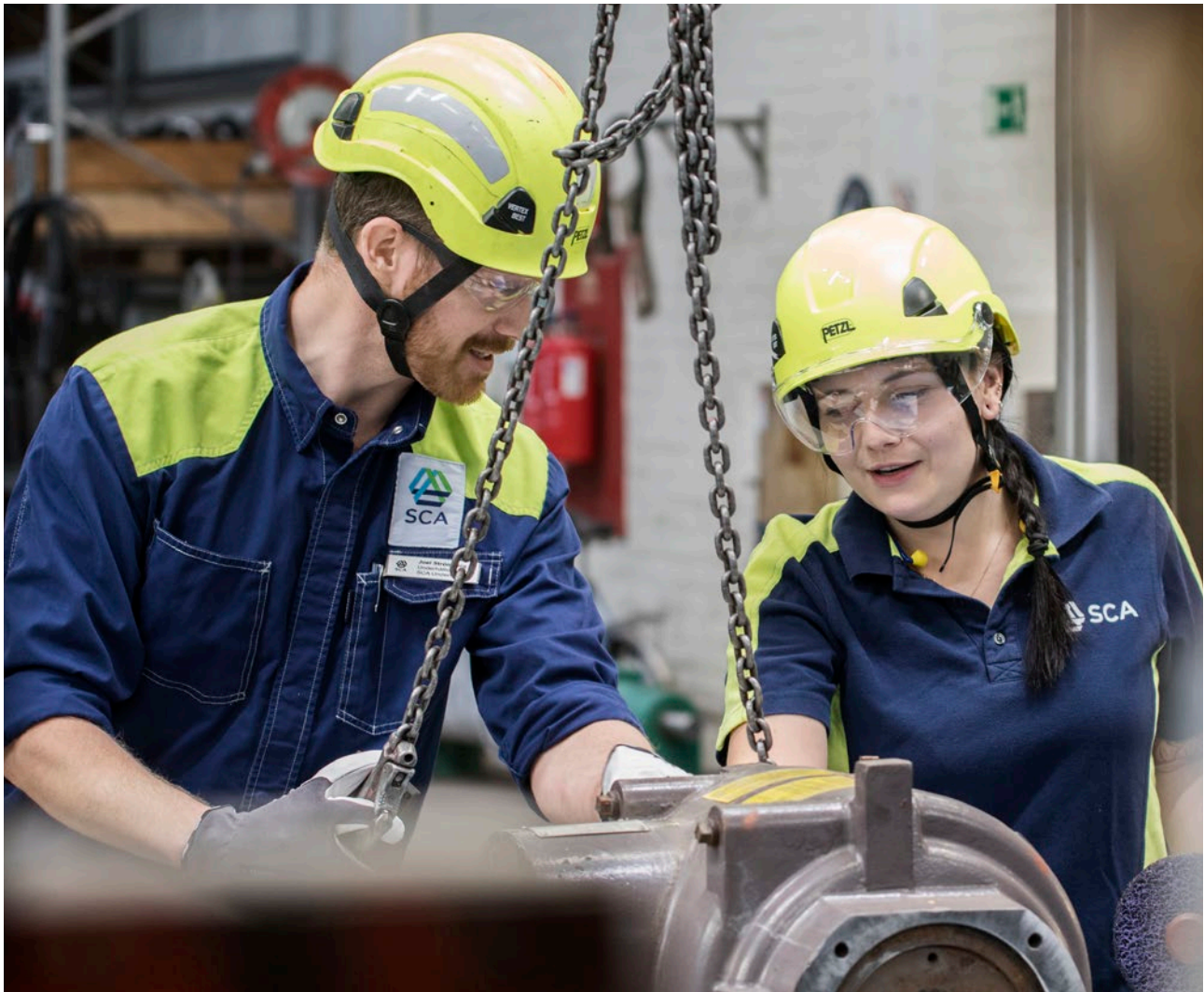
The Code is the Group's foremost steering document in terms of sustainability and constitutes, together with SCA's Sustainability Policy, the basis of the Group's sustainability agenda. The Code, which is adopted by the Board of Directors, details the guidelines for business ethics (including anti-corruption), health

and safety, employee relations, respecting human rights, the environment and society that every employee is to follow. The Code was adopted in 2004 and is based on the UN Declaration of Human Rights, the International Labour Organisation's (ILO) Core Conventions, the Organisation for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises, and the Ten Principles of the UN Global Compact. More about SCA's Code of Conduct can be found at sca.com.

SCA's Code of Conduct applies to all employees within the Group and all employees receive regular training in the Code. It applies to all markets in which SCA conducts operations. All new employees are educated in the Code as part of their introduction. Every third year, all employees take part in a refresher course. The percentage of employees educated in the Code of Conduct amounted to about 96% at the end of 2019.

Human rights and the equal value of everyone

Human rights is one important aspect of SCA's Code of Conduct, which forms the basis of the Group's company culture and business relationships. SCA does not tolerate child labor or any other form of forced labor in its own facilities or the operations of any business partner. SCA complies with applicable national laws and international standards on minimum age wherever



the company operates. SCA promotes fair working conditions, health and safety, the trade union rights of employees and the right to collective bargaining. SCA has been a member of the UN Global Compact since 2008. Risks linked to human rights have primarily been identified in business relationships, health and safety and the use of land, refer to the section on risks in the Board of Directors' Report. All forms of violations of human rights are taken very seriously and dealt with in the same manner as other suspected violations of SCA's Code of Conduct.

Business ethics

SCA bases its business activities on honesty, integrity and responsible business practices. The company must comply with applicable laws, regulations and SCA policies and instructions. Bribery and any other form of corrupt business practice are strictly prohibited. Neither SCA nor anyone acting on SCA's behalf may authorize, offer or make available any payments, gifts or other benefits that could affect or appear to affect objectivity in business decisions or the actions of a government official. All financial information must be accurately reported in a non-misleading manner in accordance with SCA's accounting practices.

Anti-corruption

Corruption is to use your position to achieve an unfair advantage for your own gain or the gain of another person. This includes bribery that entails providing, offering, receiving or requesting an unfair benefit. The Group does not tolerate any form of corruption or bribery and work against corruption is included in SCA's Code of Conduct. SCA must conduct all activities in accordance with applicable laws and regulations, and all corrupt activity is strictly prohibited. SCA's instructions for anti-corruption establish rules to prevent anti-corruption in all Group operations regardless of country.

All of SCA's employees are trained in the Group's Code of Conduct, which includes a section dealing with business ethics. Employees in a senior position and/or with external contacts are given additional training in anti-corruption. The target group comprises about 1,000 employees. Management teams and other relevant individuals also receive training on these issues in the form of mini-seminars.

Anti-trust

SCA complies with competition laws and strives to combat anti-trust, price fixing, the carving up of customers or geographic markets, bid rigging or abuse of a dominant position.

SCA has established programs to increase knowledge among employees of competition law. The target group is employees with market-related contact with competitors and includes about 290 employees. SCA has guidelines for compliance with competition law. Every year these are distributed to the target group, who must confirm that they have read the material. In addition to training for employees and new employees in the relevant target group, annual seminars are held that discuss issues and news in the area.

Whistleblower system

Every employee can report suspected violations of the Code of Conduct. The violation can be reported to a line manager, human resources manager, legal counsel or union representative. There is also a whistleblower function available at sca.com which is also open to individuals who do not work at SCA. The complaints, which may be submitted anonymously, are investigated confidentially, promptly and professionally by specially appointed investigators taking into account current personal data legislation. Complaints covered by the whistleblower system and other cases of suspected violation of the Code of Conduct are

Compliance with the Code of Conduct and legislation. Reported cases and remarks in 2019 (outcome in 2018 in brackets)

SCA uses a number of methods to safeguard compliance with prevailing law and the company's Code of Conduct. These include risk evaluation, on-site audits by external and internal auditors, activities within the company's internal control and controls in connection with acquisitions.

Code of Conduct

In 2019, 5 (8) cases of potential breaches of the Code of Conduct were reported and investigated. They concerned discrimination, harassment, molestation and inappropriate behavior. No inquiries were ongoing at the end of the year.

During the year, 0 (0) breaches of anti-corruption or competition law were reported. There are no ongoing cases from previous years.

Health and safety

Serious workplace accidents and health and safety incidents are reported to the relevant authority in accordance with current regulatory requirements. In those cases when the authority considers that an error was made, a case may be submitted to the public prosecutor for review. In 2019, 0 (0) incidents resulted in the public prosecutor initiating legal proceedings or issuing a punishment order. From previous years, 1 (1) incident resulted in the issue of a punishment order and corporate fine in 2019.

All employees are encouraged and have the opportunity to report incidents and risk observations that could result in work environment risks. The reports are incorporated in the work of continuous improvements.

External environment

It is important to engage in active dialogue with communities that can be affected by SCA's operations. This is part of the Group's stakeholder dialogues and encompasses the entire Group's operations, refer to the Stakeholder dialogues section. Dialogue may, for example, be conducted as public meetings or be based on opinions received. All environmental remarks are investigated in accordance to SCA's procedures and measures are taken where possible. In 2019, 81 (124) remarks were registered. These remarks concerned noise, odors, emissions to surrounding areas or the forest operations. Employees also have the opportunity to report incidents that could impact the environment. The reports are incorporated in the work of continuous improvements.

SCA's operations have been granted permits by the authorities. These permits are associated with a number of environmental conditions that must be complied with. The authorities are informed in the event of exceedances. Corrective action is taken both urgently and in the longer term to reduce environmental impact. During 2019, 24 (27) environmental matters were dealt with by the authorities, of which half are related to the expansion of the Östrand pulp mill. 2 (0) of these matters resulted in penalties in 2019. These concerned one oil spill and one for late submission of a noise report.

managed in accordance with SCA's procedures. Even if an allegation cannot be substantiated, preventive actions may be implemented. The scope, outcome and actions taken concerning reported cases are followed up by SCA's Compliance Council, which is headed by the Group's Sustainability Director.

Sustainable supply chain

SCA wants to ensure safe and high-quality goods and services for its customers and consumers, produced and delivered with respect for people and nature. Potential business partners are evaluated before cooperation is initiated. The evaluation comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics.

To ensure that SCA's suppliers share the company's set of values, SCA has formulated a Global Supplier Standard with which suppliers must comply. SCA's Supplier Standard is based on the Group's Code of Conduct, (see sca.com), human rights and international standards. In 2019, an external system was

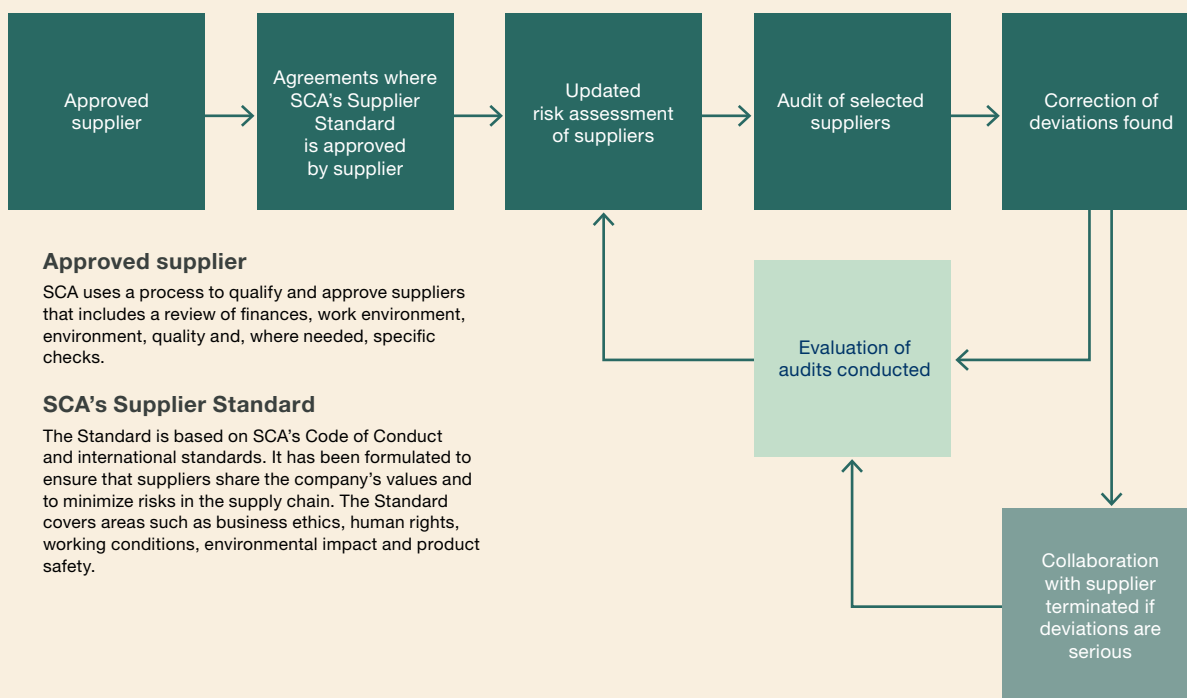
introduced to evaluate sustainability work by suppliers. Audits are also performed on-site at selected suppliers based on the risk assessment. There are well-established procedures for supplier control and visits on site in regard to harvesting and silvicultural services contractors.

SCA has agreements with a large number of suppliers. For timber supply from private forest owners, SCA has created a purchasing organization with about 80 wood purchasers, distributed between local offices across the region. Through this organization, SCA has business relationships with approximately 18,000 private forest owners. Timber sourced from other forest companies and large forest owner associations is managed by a central purchasing function that is also responsible for any timber imports. About 120 contractors are responsible for most of the harvesting, about 100 for timber transportation to SCA's industries and about 70 for forest management measures.

For most important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for industrial facilities.

SCA's process for a sustainable supply chain

It is important that the company's suppliers share our values. Regular reviews of risk and improvement potential enable us to develop together.



Employees and the community

SCA aims to be a safe and inclusive employer where employees achieve their full potential in a work environment with respect for each other, the community and for nature. SCA is a responsible company that participates in the progress of society and cares about people and the community.

Healthy and safe work environment

SCA's most important goal is that all employees, and everyone who enters the company's sites, should return home healthy and unharmed after work. The Group's aim is zero workplace accidents. SCA's Health and Safety Policy describes the Group's health and safety culture. Health and safety work at SCA's larger units is certified in accordance with OHSAS 18001 (changes to ISO 45001 in 2020).

SCA has brought together work to achieve vision zero under the name ZERO. This work is reported directly to the CEO. The ZERO program is developing a shared health and safety culture, developing leadership, engaging in dialogue to change behavior and encouraging all employees to become actively involved in health and safety work. ZERO also includes shared procedures and a uniform structure for systematic follow-up, evaluation and reporting. In 2019, "safety performance reviews" were carried out at two large facilities together with external experts to study development areas and prioritize working moving forward.

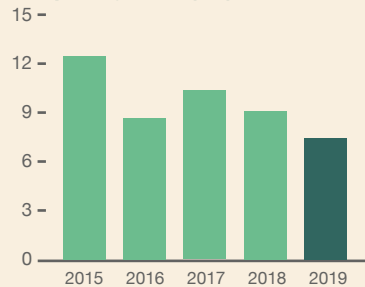
SCA is proactive in identifying and addressing shortcomings and risks, reporting and analyzing events that have occurred to identify the underlying causes and implement measures to prevent similar incidents in the future. Lessons learned from events that have occurred will be shared with the other units within the

Value creation for people

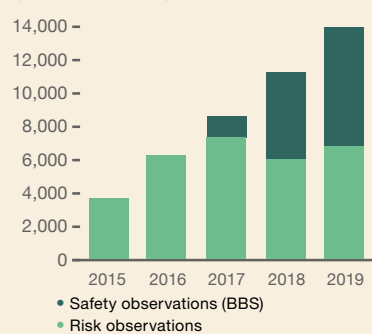
Health and safety are a top priority and SCA has a vision of zero workplace accidents. The accident frequency rate (FR), measured as the number of workplace accidents resulting in absence per million hours worked, has improved significantly by 18% compared with 2018.

One important aspect of preventive efforts is observations of potential risks and safe/unsafe behavior. The number of observations has increased significantly, by about 2,700 observations, to 14,000, equivalent to just over 3 observations per employee.

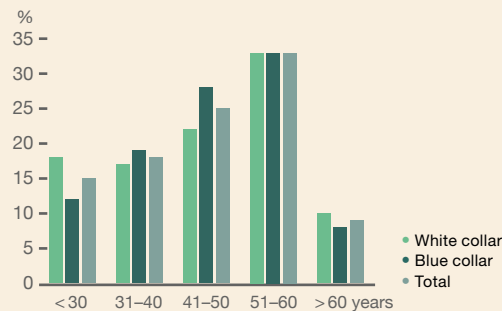
Workplace Accident Frequency Rate (FR)



Preventive reporting (observations)



Employee age distribution for the Group

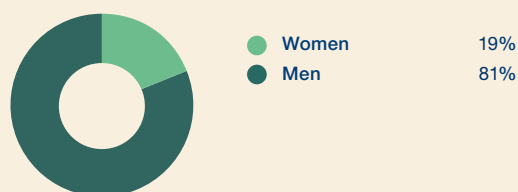


The age structure has not changed to any great extent compared with 2018. During the year, 318 people were newly employed. Refers to permanent staff.

Active work for inclusion and attractiveness as an employer. Examples include:

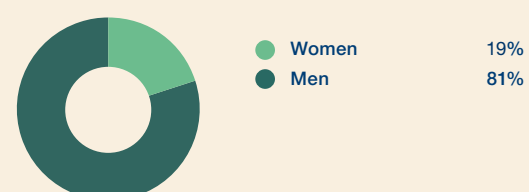
- A living Code of Conduct through training and discussion tool for dialogues about values.
- Greater gender balance among summer workers. Munksund sawmill achieved 60% and Forest 42% women.
- Vinnova research project concerning gender equality.
- Introductory training for all new employees for a shared set of values and inclusion.
- New scholarships at Mid Sweden University, participation in labor market fairs and ASAP as well as higher visibility in social media.

Distribution women and men in total for the Group



The share of women in total in the Group amounts to 19%, which is unchanged compared with 2018.

Distribution women and men in management positions for the Group



The share of women in management positions, members of management teams, amounts to 19% and has decreased by two percentage points compared with 2018.

Group. Every employee has the right to stop work if the situation is perceived as unsafe. Each unit has a clear safety organization, local targets and action plans.

SCA conducts training initiatives with regard to health and safety. In 2019, 60 Group managers were trained in change management to coach and encourage safe behavior. About 90 managers, safety officers and others who are active in improving the work environment received training to create a better work environment (BAM) and more than 500 employees received training in behavior-based safety, a methodical and simple approach to alert each other to work safely. There are also local initiatives that promote healthy living and a safe work environment.

All SCA employees have access to occupational health services that provide work-related health services and proactive work in health and well-being. The occupational health service provider works on a strictly confidential basis and also conducts random drug tests. SCA's occupational health services have held a number of preventive stress management courses with the aim of providing participants greater knowledge of stress management, sleep, self-esteem, diet and exercise as well as work-life balance.

In 2019, 49 (60) workplace accidents took place resulting in absence, which is a reduction of 18% compared with last year. The most common causes of accidents, which also resulted in the longest absence, were crushing, tripping and falling accidents.

The number of days of absence due to workplace accidents has decreased from 17 to approximately 11 days per accident in 2019. A small number of accidents resulted in longer absence but most accidents resulted in less than one week of absence. The number of risk observations has more than doubled since the ZERO program began in 2016. In 2019, 13,964 risk and behavior-based safety observations were reported.

Employee relations

Employees have representatives on the Board and in various networking groups to work together with the company to improve and develop operations. In the event of major changes, an impact assessment is performed.

All Employee Surveys, where employees can take part, are held regularly. Action plans are drawn up based on the results of these surveys to develop SCA. More than 90% of employees responded in the latest survey from 2018. The results indicated good team work and commitment as well as positive progress for leadership and work environment. The next survey will be held in 2020.

All employees in Sweden, with the exception of the Executive Management Team, are covered by collective agreements. The percentage for the Group as a whole is 92%.

Employeeship and leadership

SCA strives to offer every employee an opportunity to develop to their full potential and to work in an atmosphere of respect and trust. All employees are given annual appraisal reviews to follow up performance and job satisfaction, define areas for improvement and personal targets. All new employees are given introductory training and have a personalized introductory plan.

All managers take part in a one-day introduction to SCA's leadership platform that also encompasses SCA's strategy and the company's expectations for its leaders. Moreover, a number of programs will be conducted in change management and shorter courses in rehabilitation and work adaptability, recruitment, target and performance reviews and basic labor law. In 2019, a total of 116 managers took part in these activities.

Diversity and inclusive culture

SCA stands up for the equal value of every person and respect for each other. It fosters cooperation and allows us to develop, as people and as a company. The principles for the company's work in the field are detailed in SCA's HR Policy and procedures for victimization. The equal opportunity plans, which include practical activities at unit level, are prepared and followed up on an annual basis.

To increase diversity, the company works, for example, to broaden its recruitment base by changing the style of its recruitment ads, a Group-wide recruitment function and through interaction with the educational system. In 2019, the Forest business area continued its major gender equality initiative that encompassed management and employee training and meetings with students in higher education specializing in forestry. Several units had the same target, to achieve greater gender balance among their summer workers and a number of units were successful.

Competence supply and development

The need for training is identified based on the needs of the unit and the individual to meet future challenges in the best way possible. SCA offers continuing training according to the 70-20-10 model, meaning respectively practical training in the work situation, coaching and formal education. The training courses are conducted, for example, in leadership, work environment, business ethics and in specific competencies. SCA also takes part in the development of training courses in professions with a shortage of labor, such as machine operators. Furthermore, SCA offers practical workplace experience and summer jobs in offices, industrial plants, nurseries and in forest operations. This provides a good and important base for SCA's supply of skilled employees, at the same time as young people are offered important work experience. In 2019, 453 young people had summer jobs at SCA.

SCA collaborates with schools in order to secure the industry's attractiveness and the long-term supply of competent employees. SCA participates in the Skogen i Skolan program, which aims to increase knowledge and awareness of the forest and forest indus-

SCA's community engagement

Examples from 2019

- Safety training for approximately 600 timber truck drivers to increase awareness and make transportation safer
- Partner to ASAP – an arena to train the sustainable leaders of the future, set up by Sustainergies and Ecolabelling Sweden (Nordic Swan Ecolabel)
- The Kalla Champs forest adventure encourages young people to improve their health by discovering and experiencing the forest
- Launch of a map service to make it easier for people to visit SCA's forests with the highest conservation values and the company's conservation parks
- Launch of the podcast SCA's Ingenjörspodd to attract new employees
- Supporting associations and local community engagement in sport, culture and other areas

try among students and teachers, “Tekniksprånget,” a nationwide placement program for senior high school students who studied natural sciences and technology programs to increase interest in pursuing the engineering profession and “Jobbsprånget” to help newly arrived academics to enter the labor market.

Community engagement

In accordance with SCA’s guidelines for community engagement, the company prioritizes initiatives with a clear link to SCA’s values, strategic priorities, expertise, operations and geographic presence. SCA’s community engagement shall be politically and religiously neutral. To remain relevant, today and in the future, SCA must evolve in harmony with the communities of which the company is a part. Social challenges can serve as a source of innovation and development for SCA’s business models and product offerings.

SCA engages in continuous dialogue with various stakeholders about how the Group can contribute to the positive development of society. This could include meetings and dialogue with municipal representatives, local residents, reindeer herding Sami and people who live close to SCA’s facilities. The Group sponsors local associations, hold regular talks with recruitment agencies and employment offices and collaborates in various ways with universities and colleges in Northern Sweden.

SCA contributes to the local economy in the municipalities in Northern Sweden where the company conducts operations. Of SCA’s more than 4,100 employees, 91% are employees in Sweden and the remaining 9% mainly in Europe. In addition to direct payments, in the form of various taxes, SCA generates the preconditions so that trade, services and public services can continue to exist in smaller rural communities. SCA’s industries, where one very important element of the supply of raw material is the purchase of timber from private forest owners, create jobs in rural areas, both directly and indirectly. SCA’s forests, not least the forest roads SCA builds, contribute toward ecotourism, hunting and fishing. In combination, these operations create an opportunity for people to live and work in areas such as the inland region of Norrland.

The proximity between SCA’s research and development unit and Mid Sweden University in Sundsvall contributes toward several interesting research and innovation projects in the region and attracts research competence. SCA collaborates with IBM and BizMaker in the Forest Business Accelerator for the development of startups with forest-related business concepts.

Product development and innovation

Innovation

The company conducts structured innovation work in compliance with the strategic priorities. One important priority is to constantly increase value creation of the forest raw material, partly through greater utilization of raw materials and production efficiency and partly by moving the product portfolio to increase added value. Innovation work leads to greater customer value through the development of new products and application areas that utilize the climate benefit and resource efficiency of forest-based products.

Examples include a wet-strength liner with lower grammages suitable for food packaging in a damp climate and products in the SmartTimber range, such as heart pine decking, semi-finished cladding with concealed fitting and products with lengths adapted to end uses. The structural decline in publication paper is being met by developing products that yield greater resource efficiency and lower climate impact. GraphoVolume is one of three new publication papers launched during the year.

A life cycle perspective to reduce climate impact

One important tool in SCA’s corporate responsibility work is the Resource Management System (RMS). This system monitors resource consumption and environmental impact for production facilities, transportation of raw materials and finished products. Using life cycle assessments, the climate and environmental impact of the Group’s products can be calculated and evaluated. Calculations show that SCA’s products already today have a small carbon footprint compared with competitors. The greatest climate effect is achieved by using the Group’s products to replace other products with a larger carbon footprint.

Product safety

SCA wants to ensure safe and high-quality products and services for its customers and consumers, produced and delivered with respect for people and nature. Products must be safe for the user and for the environment and meet the customers’ and authorities’ product safety requirements. In product and process development, the precautionary approach is used.

Raw materials and chemicals used in the products or in the company’s operations are continuously assessed and SCA’s Supplier Standard places high demands on the product safety of input goods. Based on available knowledge, we work actively to identify and replace any products that must be substituted. The work is coordinated through the Group’s Chemicals Management Network.



Responsible forest management

The forest forms the foundation for SCA's operations. The Group conducts responsible, long-term and profitable forest operations that generate a valuable raw material and contribute toward many other values. At the same time, the forest's conservation and recreational values must be maintained. SCA forest land shall, in the future, be at least as rich in biodiversity, nature experiences and raw material as it is today.

Forest processes are long. It takes almost a century for a planted tree to become mature enough for harvesting and many natural processes take even longer. SCA's forest management planning therefore extends across more than 100 years and each harvested tree is replaced by at least two new trees. During the year, SCA's nurseries delivered about 85 million seedlings, of which 35 million were planted in SCA's own forests. This responsible and active forest management has resulted in SCA having well-managed forests, and that we have never had this much forest. The forest contributes to biodiversity while also providing a source for nature experiences and recreation. Hunting is also an important measure, for example in reducing grazing damage caused by moose. Read more about how SCA conducts responsible forestry at sca.com.

Some 50 Sami communities have the right to herd reindeer on SCA's land. Consultations are held to facilitate cooperation and understanding of each other's needs, and cover issues such as the time for harvesting, site preparation, fertilization and choice of tree species when planting new forest. About 15% of the company's forest is made up of contorta pine. The contorta pine has a high growth rate and forms dense forest that can cause problems for reindeer herding. Measures required in existing stands are also handled through consultations. The consultation process will be developed together with representatives from

Sami communities to extend the planning horizon, which will benefit both reindeer herding and forestry measures. In 2019, 79 consultation meetings took place with 34 Sami communities, with discussions concerning approximately 7,500 forest compartments.

Biodiversity

The preservation of biodiversity in the Group's forests is the most important environmental target in the management of SCA's forests. Areas that provide vital habitats for sensitive flora and fauna are excluded from forest management through voluntary set-asides or using alternative forms of forest management that promote biodiversity. SCA also takes extensive conservation measures in managing forest areas that do not contain any particular conservation value. Productive forest land is therefore set aside from harvesting in our ecological landscape plans, which SCA has developed for its entire forest holding. In 2019, the voluntary allocation amounted to 8.3% of productive forest land. In 2019, an additional 12.7% of productive forest land planned for harvesting was set aside.

SCA also carries out targeted preservation measures for threatened species. For example, SCA has planted pasqueflowers, restored wetlands and created butterfly parks to protect the two endangered species *Baptria tibiale* and *Lycaena helle*. The company has also established five conservation parks that encompass more than 10,000 hectares of forest land, where at least half of the land is earmarked or managed in a manner that promotes nature and cultural heritage. SCA uses the knowledge it gains in these parks in its other forest operations. SCA cooperates with government authorities, research institutes, non-profit organizations and private individuals to continually improve ways of working and measures.

Nature conservation area, status Dec 31, 2019

Nature conservation areas in the form of	Number of hectares	% of productive forest land
Voluntary set-asides for promoting biodiversity	167,659	8.3 (8.2)
Nature conservation during harvesting operations	–	12.7 (11.7)
Total (over the rotation period of the forest)		21.0 (20.0)
In addition: Alternative forms of forest management	58,516	2.9 (2.9)

The first line in the table shows the percentage of SCA's productive forest land that was included in ecological landscape plans at the end of 2019 for the purpose of promoting biodiversity. The plans are subject to change and inventories and analyses are conducted continuously to identify areas with the highest conservation values. The Swedish Forest Agency's methods form the basis for the identification of forest with high conservation values set aside in SCA's voluntary set-asides. The voluntary set-asides are presented at <https://www.sca.com/sv/om-oss/var-skog/hitta-parlorna-i-vara-skogar/>.

The second line shows the proportion of nature conservation during harvesting pertains to an area of > 0.1 hectares of land within planned final felling operations on productive forest land. In 2019, 12.7% of the area in the felling plan was set aside for nature conservation. Surveys have shown that part of the planned conservation measures can be considered as already completed conservation measures. The reported outcome has therefore been reduced by 1.0 percentage points compared with the outcome from previous years.

Seen over a rotation period and the entire productive forest area, this level means 21.0% is left untouched for nature conservation purposes. Alternative forms of harvesting are primarily various continuous cover forestry methods, such as selection cutting, economic selective logging and shelterwood.

Measures to promote biodiversity

Measures taken in 2019	Number of hectares	% of final felling area 2019
Nature conservancy management (NCM) in voluntary set-asides	344	1.5 (1.2)
Alternative (continuous cover methods) forms of harvesting outside voluntary set-asides	502	2.2 (1.0)
Controlled burning and slash-and-burn clearances	122	0.5 (1.2)

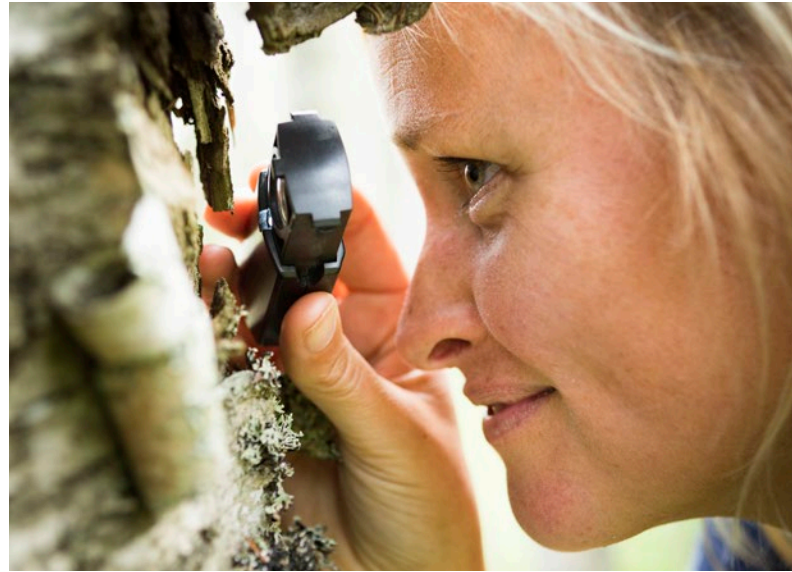
The table shows forest management measures conducted in 2019 that have benefited biodiversity in relation to the harvested area within SCA's forest holding the same year. Various measures are implemented to recreate habitats and valuable substrates, with controlled burning as one example. Burning takes place at both clearcut areas that are then regenerated and in forest set aside for nature conservation. In 2019, we increased the area of nature conservancy harvesting (NS) by 40% and more than doubled the area of harvesting using alternative methods compared with 2018. A conservation value assessment on site is carried out before all final felling and a complementary inventory is performed by personnel with specialist expertise in forests that may be high in conservation values.

Certified forest management

All wood raw material used in SCA's products must originate from responsibly managed forests – forests with a high level of biodiversity that are managed under good working practices. SCA's environmental management system is certified in accordance with ISO 14001 and SCA's forests are certified in accordance with the international forest management certificate, Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), which aim to ensure responsible forest management. SCA contributes together with other social, environmental and economic stakeholders, in developing FSC's and PEFC's standards and operations.

Certified raw material sourcing

SCA works proactively with responsible forest management, partly through the management of its forest, and partly through the purchase of wood raw material. All wood raw material bought by SCA must be from responsibly managed forests and must at least fulfill the requirements of FSC's standard for controlled wood, FSC CW. The timber must not be from controversial sources such as forests with high conservation values, illegally felled timber or forests where the rights of indigenous people or human rights are being violated. SCA's organization for wood procurement is third-party certified according to PEFC and FSC Chain of Custody (CoC). SCA is active in maximizing the percentage of wood raw material from forests certified in accordance with FSC or PEFC and encourages its external suppliers to certify their forest operations. SCA also encourages land owners who do not conduct certified forest operations to take greater consideration for nature conservation corresponding to FSC's requirements (SCA conservation). The percentage of raw materials from certified forest operations or forest management with a corresponding level of conservation, was retained at almost the same high level as in the previous year, despite a rise in demand for wood raw material in 2019 due to the expansion of kraft pulp. The remaining volume fulfills FSC CW.



The company's products provide climate benefit as they replace fossil alternatives or materials with a greater climate impact, such as steel, concrete and plastic. The substitution effect amounts to about 6 (5) million tonnes of CO₂ per year. In addition to this, there is the effect of the removal of CO₂ from the atmosphere for many years when wood material is used in buildings or furniture. In this way, wood material acts as a carbon sink. Other climate effects are achieved when fiber-based packaging and paper is collected and used several times. Continued work with innovation and development will provide new opportunities to replace fossil materials and thereby further increase climate benefit from forest-based products.

SCA's objective is to make the entire value chain fossil-free. Through systematic work with efficiency enhancements and a transition to biofuels, emissions from SCA's industries have

Biodiversity through active work:

- Voluntary set-asides
- Natural conservation in all forestry measures
- Alternative forms of forest management
- Specific nature conservation measures

[Read more at sca.com](http://sca.com)

Climate impact and climate benefits

SCA wishes to contribute to limit global warming and works proactively to reduce climate impact through reducing emissions from its own operations and increasing forest uptake of CO₂ from the atmosphere through the company's products, which are renewable and replace fossil alternatives.

Net growth of SCA's forests binds 5.4 (4) million tonnes of carbon dioxide annually based on the new forest survey from 2019. Growth can be enhanced through responsible and active forest management, the development of seedling material, the use of contorta pine and through fertilization. The rate of harvesting is lower than growth, which leads to a net growth and thereby a net uptake of CO₂. Increased growth will ultimately contribute greater access to renewable raw material.

Responsible fiber sourcing



SCA's timber unit is responsible for sourcing wood raw material for the production of wood, pulp and paper products. The raw material sourcing is third-party certified according to PEFC and FSC CoC. The largest amount of raw material is derived from certified forest operations. All raw material from the company's own forests is included in this share. The remaining volumes are from raw material that fulfills FSC CW, of which almost one third is from felling where the proportion of forest set aside for nature conservation corresponds to the FSC level (SCA conservation). SCA encourages its external suppliers to certify their forest operations to increase access to certified raw materials.

SCA's production facilities used 11.2 million (9.6) cubic meters of wood raw material in 2019. The increase in consumption reflects the higher production for pulp. Almost all of the flow was from Sweden.

	2019	2018
Sweden	91%	93%
Baltic states	5%	5%
Finland, Norway, Denmark	2%	1%
Poland, Scotland, Spain	2%	1%

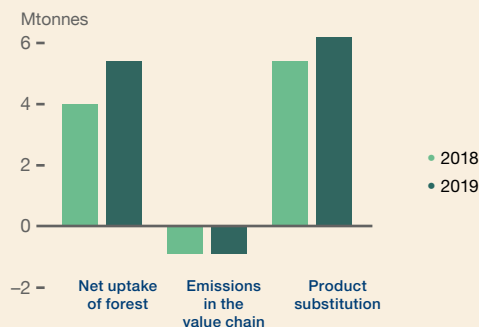
halved since 2010 and industrial processes are currently 95% fossil-free. The emission of greenhouse gases in the value chain is at an unchanged level in absolute terms at 0.9 (0.9), at the same time as product manufacturing has increased in 2019. The figure includes the higher consumption of oil linked to the ramping up of the expanded kraft pulp production. The return to biofuel is gradually taking place. Together with the new plant's energy efficiency, this will result in a lower climate footprint per tonne of pulp.

An estimate of greenhouse gas emissions from the entire value chain shows that 35% is from own operations and from purchased electricity while about 65% is from sources outside the company's facilities. The single largest source is transportation followed by remaining emissions from processes and manufacturing of input goods. The company is striving in various ways to reduce climate impact, for example through energy-efficiency measures, choice of fuel and the optimization of the logistics system, as well as choice of transport mode, load utilization, choice of transport route and ecodriving. The investment to increase kraftliner capacity at Obbola will remove another source of fossil oil, as the lime kiln is converted to biofuel. Surplus heat from the company's plants is delivered as district heating to local municipalities. In 2019, heat deliveries amounted to 0.5 TWh, corresponding to heating 40,000 homes. SCA offers partners an opportunity to build wind power on the Group's forest land. At the end of 2019, capacity amounted to 4.4 TWh of wind power per year.

In 2019, SCA published a model to calculate the company's total climate benefit, see sca.com. The total climate benefit increased from 8 to 10.5 million tonnes of CO₂ in 2019. The rise is due to the increased growth in the forest based on the new survey and a higher volume of sold products (pulp and processed wood products).

SCA's climate benefit

The table shows SCA's climate benefit in accordance with the model described by Holmgren and Kolar, see sca.com

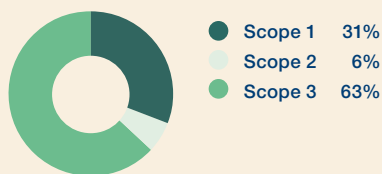


Climate benefit in million tonnes of CO ₂ e per year	2019	2018
Net uptake in own forest	5.4	4.0
Products, substitution effect	6.0	5.0
Value chain (Scope 1, 2 and 3)	-0.9	-0.9
Total climate benefit	10.5	8.0

10.5 million tonnes CO₂

SCA's climate benefit 2019

Greenhouse gas emissions in the value chain

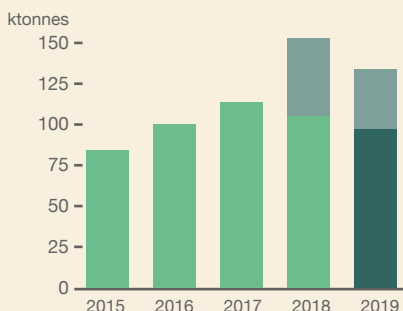


Fossil emissions from forest operations to transportation of finished products to customers amounted to about 0.91 million tonnes of CO₂e in 2019. This compares with the total climate benefit of approximately 10.5 million tonnes of CO₂ from SCA's operations, see above. Scope 1 includes emissions from SCA's own vessels.

Emissions in million tonnes of CO₂e:

Scope	2019	2018
1. Direct emissions	0.28	0.25
2. Purchased electricity and energy	0.06	0.06
3. Purchased goods and services	0.57	0.57
Total for scopes 1-3	0.91	0.88

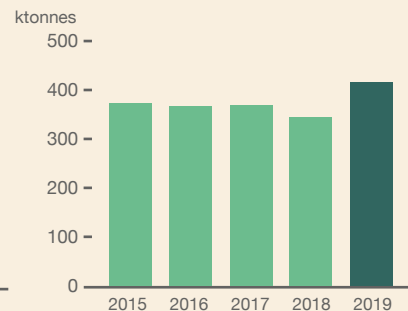
CO₂ emissions from, fossil CO₂



• Effects related to rebuilding in 2018

SCA is working actively to reduce fossil CO₂ emissions. Since 2010, emissions of greenhouse gases have halved if the impact of the expansion project in Östrand is excluded. During rebuilding and ramp up, more oil has been used temporarily.

CO₂ emissions from transportation, fossil CO₂



In 2019, emissions rose as a result of increased volumes and higher percentage of shipping to other continents, though these are offset by greater transport efficiency. The climate impact of raw-material transportation had declined due to the growing proportion of rail transportation.

Resource use and environmental impact

This section describes SCA's use of raw materials, water, energy, emissions, transportation and waste management. Data is presented in the environmental data table at the end of Sustainability facts.

Raw materials

The foundation for SCA's products is fresh wood fiber. In addition, smaller quantities of recovered fiber and inorganic material are used in the form of kaolin clay and calcium carbonate in the manufacture of various paper products. Moreover, a small amount of fossil organic material is used in chemical additives. 48% (56) of wood raw material used is sourced from SCA's own forest and own sawmills.

Water

SCA endeavors to reduce the occurrence of substances in process water that impact the environment and to improve the purification of water that is released back to nature, using mechanical and biological treatment systems. SCA's plants are mainly supplied with water in the form of surface water. The remaining water is from municipal water systems. SCA monitors water consumption and origin as well as the quality of its effluent water. Most of the water is used to transport fibers during the production process and the remainder is mainly used as cooling water. SCA's plants are located in areas with plentiful supply of water. Effluent water from pulp and paper mills is, after treatment, discharged into the Baltic Sea.

Energy

Calculations for energy use at a production facility include purchased energy (heating, electricity and fuel), energy generated from wood, liquor, bark, sludge and waste paper, and self-produced electricity. A large portion of the energy used by SCA comes from the incineration of wood residuals and from electricity produced through co-generation. Fuel consumption at SCA is 95% (93) fossil-free. In 2019, the percentage of fossil-free

fuel decreased temporarily following the start-up of the expanded pulp mill in Östrand. Any self-produced electricity that is not used internally is supplied to the national grid. SCA delivers energy to the district heating system by utilizing secondary heat from the process and in this way replaces fossil fuels at municipal energy plants. Since 2003, SCA's ESAVE energy-efficiency program has contributed to energy savings and improved efficiency. ESAVE comprises investing in energy-efficient technical solutions, focusing on continuous improvements and increasing awareness among employees. Within the scope of ESAVE, energy surveys are conducted that are used to set targets and prioritize measures. All new equipment should be energy efficient by design. SCA has seven units subject to the EU Emissions Trading System (EU ETS).

SCA only buys and sells thermal energy as heat. In 2019, 1,941 TJ (1,800) was sold externally and 473 TJ (469) was purchased. No steam or cooling was purchased or sold.

Transportation

Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses ships, rail and road transportation depending on distance and the transport systems accessibility, in order to minimize the climate impact. The choice of fuel is reviewed as renewable fuels become more available.

The largest share of transportation is conducted by ship with SCA-owned RoRo vessels, chartered container ships or other cargo ships. SCA uses external suppliers for most of its road transports. Great emphasis is placed on maximizing load utilization in trucks and ships, to minimize energy use and transport emissions. Heavy vehicles, known as 74-tonne vehicles, contribute to more efficient transportation with lower emissions. 74-tonne vehicles are used for timber transportation if possible. However, the transition is restricted by the bearing capacity of certain road bridges.

Transportation by rail is a carbon-efficient mode of transportation, which is prioritized where this is possible. The proportion

Distribution of fuel supply



In 2019, SCA's fuel consumption, including purchased electricity for steam production, was 95% fossil-free. Electricity purchased from the Swedish national grid is considered 97% fossil-free (according to IEA). Refers to Swedish production facilities.

Distribution of electricity supply



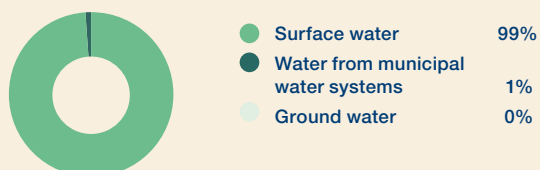
SCA's plants in Sweden generate electricity using co-generation. The remainder is purchased from the national grid. The expanded Östrand pulp mill generated a surplus of electricity that is sold externally. SCA is currently a net purchaser of electricity.

Distribution of transport usage



Total transport performed increased due to the rise in production of kraft pulp and more transportation to other continents. For land transportation, approximately one third is conducted by rail.

Distribution of water supply



Almost all of SCA's water is from surface water sources, such as large rivers. Operations outside Sweden have a marginal water consumption. Total water consumption has risen due to the increase in kraft pulp production.

of timber transportation by rail has increased in recent years. However, access to a reliable railway network limits options. For finished goods, block trains are used to transport kraftliner between Piteå and Umeå and onward to the central warehouse in Skövde. The northbound block trains transport recovered fiber, which is used as raw material in production. This approach means the block trains are fully loaded in both directions.

Emissions to air and water

The company's total emissions are influenced by the level of production, product mix and uniform production. Air emissions comprise all combustion units at SCA's production sites, regardless of fuel, as well as emissions from purchased electricity and thermal energy. When energy is supplied to an external facility, air emissions are reduced in relation to the energy amount delivered. Emissions to air are reported as dust, NO_x, SO₂ and fossil CO₂.

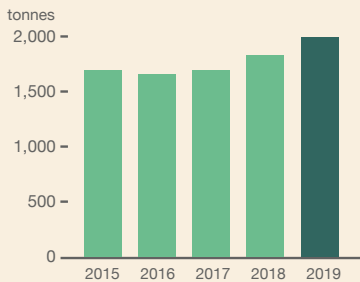
A large portion of air emissions are generated by transportation. SCA works to reduce emissions by increasing the fill ratio, training in ecodriving, applying various techniques to reduce fuel consumption, and prioritizing transport means with less environmental impact.

SCA's effluent water is divided into cooling water and process water. Cooling water, which constitutes 68% of water usage, has only been heated and has not been in contact with the process flow. Effluent water is mechanically treated to remove suspended solids, sand and particles, and the subsequent biological treatment reduces dissolved solids and pollutants that affect chemical oxygen demand (COD). Emissions to water are reported as COD, suspended solids, AOX, nitrogen and phosphorous.

Waste

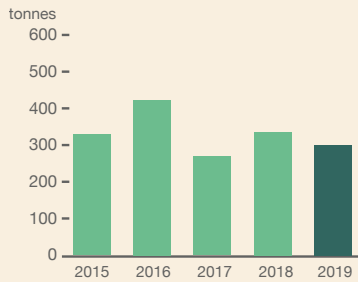
SCA takes a life cycle approach and works proactively with resource efficiency. SCA's industrial ecosystem utilizes by-products and waste streams insofar as this is possible. Most solid waste is recycled. A small quantity is sent to landfill or is hazardous waste. Recycled waste refers to material that can be used as raw materials, construction materials or for energy recovery and is primarily bio ash, sludge, organic waste and plastic. Hazardous waste is primarily waste oil as well as organic solvents, batteries and strip lights. SCA participates in or supports several projects to further reduce remaining waste or to identify value-creating uses for the company's waste streams.

Emissions to air from industry, NO_x



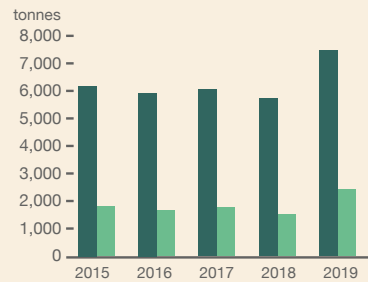
Emissions of nitrogen oxides from SCA's industries rose in 2019 due to a temporary increase in oil consumption and higher production, though specific emissions fell.

Emissions to air from industry, SO₂



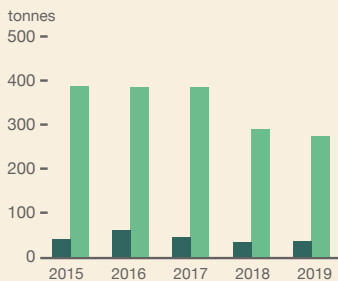
Emissions of SO₂ have fallen due to improvements in the availability of a recycling process.

Emissions from transport activities, NO_x and SO₂



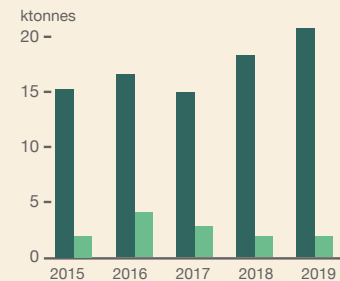
Rising freight volumes and shipping to other continents due to the expansion of the Östrand pulp mill has led to higher emissions in 2019.

Water effluents from industry, phosphorous and nitrogen



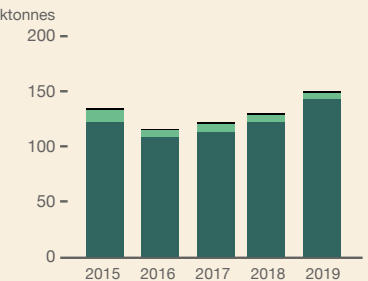
Nitrogen and phosphorous are dispensed to SCA's treatment systems to achieve a stable reduction in COD. Improvements in 2019 are due to the continued fine-tuning of effluent treatment plants.

Water effluents from industry, COD and suspended solids



The emission of suspended solids decreased in 2019 due to the continued fine tuning of the plants. COD rose due to the ongoing rebuilding of biological wastewater treatment at the Munksund paper mill and increase in kraft pulp production.

Distribution of waste by category



Of the total volume of material handled by SCA, only a small quantity becomes waste. Almost all waste is recycled (96%). A small quantity, (3%), is sent to landfill or treated as hazardous waste (1%).

Social data for the SCA Group

Data for operations in Rotterdam and SCA Wood France are included for the part of the year when SCA's holding was more than 50%, see the About the Sustainability Report section for more information.

	2019	2018	2017
Average number of employees	4,253	4,216	4,127
Number of employees¹⁾	4,118	4,121	4,031
of whom men	3,324	3,358	3,318
of whom women	794	763	713
Number of temporary employees¹⁾	433	410	330
of whom men	307	306	262
of whom women	126	104	68
Number of part-time employees¹⁾	89	93	87
of whom men	52	57	56
of whom women	37	36	31
Age distribution			
<21 years old	0%	0%	0%
21–30	15%	14%	13%
31–40	18%	19%	19%
41–50	25%	26%	28%
51–60	33%	32%	32%
61+	9%	9%	8%
Employee turnover²⁾	6%	8%	8%
of which retirement and restructuring	2%	2%	2%
of which other	4%	6%	6%
Gender equality			
Share of women on the Board of Directors (excluding appointed by employees)	40%	40%	44%
Share of women on the Board of Directors (including appointed by employees)	38%	38%	42%
Number of women in the Executive Management Team ³⁾	17%	17%	15%
Share of women, in management positions ⁴⁾	19%	21%	20%
Share of women, all employees	19%	19%	18%
Share of women, white collar	32%	32%	32%
Share of women, blue collar	10%	10%	9%
Health and Safety			
Absence due to illness total	3.1%	3.5%	3.8%
Number of workplace accidents resulting in absence, LTA (of which non-Swedish units)	49 (5)	60 (10)	65 (11)
Number of workplace accidents among contractors, CLTA ⁵⁾ (of which fatal accidents)	17 (0)	33 (2)	37 (1)
Number of working days lost due to workplace accidents, DLA ⁶⁾	567	1,044	647
Workplace Accident Severity Rate, ASR, measured as days of absence/LTA	12.0	17.4	9.9
Workplace accident Frequency Rate, FR, (LTA/1,000,000 WH)	7.4	9.1	10.4
Fatal accidents	0	0	0
Total Recordable Incidents, TRI ⁷⁾	164	171	161
Number of hours worked, million hours	6.59	6.60	6.28

1) Refers to employees on December 31

2) Refers to permanent staff

3) From January 1, 2020, 25% of women in Executive Management

4) Members of management teams

5) Refers to contractors who perform work at SCA's facilities, in forestry operations or conduct transport activities

6) Absence from day 1 after the accident

7) Includes all accidents resulting in absence (LTA), alternative work duties (RWC) and medical treatment (MT)

Figures for 2017 and 2018 are not verified based on the definition.

Environmental data

The table shows environmental data for SCA's production facilities. The report is more extensive than what is covered in text and charts. Raw material consumption is only reported at Group level.

Data for the French construction material operations is not included in figures for any of the reported years. As of 2019, SCA's shareholding is less than 50%.

		Total SCA			Total Pulp and paper mills		Total Wood and Energy		Ortviken paper mill		Östrand pulp mill		Munksund paper mill	
		2019	2018	2017	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
PRODUCTION														
Paper, pulp and pellets	ktonnes	2,460	2,178	2,230	2,273	1,982	187	196	696	706	761	460	369	380
Timber and solid-wood products	1,000m ³	2,386	2,370	2,400			2,386	2,370						
RAW MATERIALS														
Wood and sawmill chips	ktonnes	4,600	4,000	4,100										
Purchased pulp	ktonnes	0	0	0										
Recovered paper	ktonnes	292	289	297										
Inorganic material	ktonnes	199	198	203										
Organic fossil material	ktonnes	10	10	10										
Water	Mm ³	145	93	101										
ENERGY														
Electricity														
Co-generation	GWh	1,006	731	806	1,006	731	0	0	65	68	611 ²⁾	368	178	176
Grid supply	GWh	2,078	2,225	2,237	1,893	2,036	185	188	1,552 ¹⁾	1,554 ¹⁾	8	109	152	164
TOTAL	GWh	3,083	2,956	3,043	2,898	2,768	185	188	1,616	1,622	619	477	330	341
Fuels														
Biofuel	TJ	35,847	27,059	28,143	33,383	24,510	2,463	2,550	2,653	2,878	20,292	11,334	5,986	6,091
Fossil fuel	TJ	1,758	2,005	1,492	1,603	1,843	154	162	290	315	799	967	142	164
Electric boiler/hood	TJ	168	177	221	168	177	0	0	99	89	0	0	69	88
TOTAL	TJ	37,772	29,241	29,855	35,155	26,530	2,618	2,711	3,043	3,282	21,092	12,301	6,196	6,343
of which co-generation	TJ	4,185	3,024	3,330	4,185	3,024	0	0	291	303	2,572	1,550	680	674
EMISSIONS														
To air														
NO _x as NO ₂	tonnes	1,996	1,831	1,696	1,891	1,733	105	97	165	205	1,043	879	400	367
SO ₂	tonnes	300	337	268	290	328	10	9	23	26	100	145	134	119
Dust	tonnes	233	221	243	165	141	68	80	18	21	99	76	17	16
CO ₂ fossil	ktonnes	134	153	114	122	141	11	12	21	22	62	75	10	12
CO ₂ fossil, grid electricity	ktonnes	27	27	28	24	23	4	5	19	17	0	1	2	2
CO ₂ biogenic	ktonnes	3,369	2,846	2,790	3,121	2,590	248	256	271	293	1,734	1,216	639	630
To water														
COD	tonnes	20,730	18,266	14,907	20,730	18,266	0	0	3,723	3,377	9,377	7,681	6,628	6,018
BOD	tonnes	3,916	3,939	1,719	3,847	3,869	69	69	77	125	899	1,385	2,758	2,219
Suspended solids	tonnes	1,873	1,892	2,786	1,871	1,891	2	1	119	54	782	625	804	909
AOX	tonnes	28	15	10	28	15	0	0	2	2	20	9	3	2
Phosphorous (P)	tonnes	35	34	45	34	33	1	1	2	2	18	13	5	8
Nitrogen (N)	tonnes	274	290	384	271	287	3	3	66	67	119	109	44	59
Effluent water (process water)	Mm ³	46	40	41	46	40	0	0	12	12	19	14	9	8
Solid waste														
Landfill	tonnes	4,947	5,946	7,411	3,470	3,873	1,477	2,073	4	6	21	44	2,918	3,386
Recovery	tonnes	143,289	122,271	113,154	130,299	107,136	12,989	15,135	27,042	25,693	62,253	36,232	12,427	14,391
Hazardous waste	tonnes	1,878	1,357	1,416	1,360	822	518	535	206	203	391	440	97	128

¹⁾ The largest share of electricity consumption is used to manufacture TMP pulp and is recycled as steam

²⁾ Figure refers to electricity consumed from co-generation. Surplus electricity is sold externally. In 2019, this amounted to 351 GWh.

ENVIRONMENTAL DATA

	Obbola paper mill		BioNorr Härnösand		Building materials Stugun		Building materials Tunadal		Building materials UK		Bollsta sawmill		Gällö sawmill		Munksund sawmill		Rundvik sawmill		Tunadal sawmill	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	447	436	167	176	20	20														
					97	99	85	64	124	135	549	543	341	328	376	386	291	296	521	518
	152	118	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	181	210	31	32	6	8	3	3	6	5	40	41	17	17	26	26	20	20	36	36
	333	328	31	32	6	8	3	3	6	5	40	41	17	17	26	26	20	20	36	36
	4,452	4,207	422	571	7	27	2	2	0	0	659	634	261	251	441	460	266	204	405	401
	372	398	2	2	0	1	0	0	10	10	49	60	0	0	24	16	4	8	66	65
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4,824	4,604	424	573	7	27	2	2	10	10	707	694	261	251	465	475	270	212	471	466
	642	497	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	283	282	0	0	1	3	0	0	1	0	57	49	19	19	6	7	13	12	7	7
	32	37	0	0	0	0	0	0	0	0	1	1	0	0	3	1	0	0	6	6
	31	29	53	49	0	4	0	0	0	0	6	9	0	2	0	0	8	16	0	0
	29	31	0	0	0	0	0	0	0	1	4	4	0	0	2	1	0	1	5	5
	2	2	0	0	0	0	0	0	2	3	0	0	0	0	0	0	0	0	0	0
	478	452	41	55	3	2	0	0	0	0	63	61	25	24	42	44	35	31	39	39
	1,002	1,190	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	114	140	0	0	0	0	0	0	0	0	69	69	0	0	0	0	0	0	0	0
	167	303	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	8	9	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0
	42	53	0	0	0	0	0	0	0	0	3	3	0	0	0	0	0	0	0	0
	6	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	527	437	1,285	1,912	0	2	0	0	171	121	2	0	7	34	12	2	0	0	0	2
	28,577	30,820	0	31	127	94	94	158	0	0	2,891	3,473	865	514	83	97	8,818	10,495	112	272
	667	50	171	352	85	0	2	38	0	0	78	53	12	7	11	10	57	42	102	33

SCA ANNUAL REPORT 2019

Definitions

AOX Absorbable organic halogens BOD Biochemical oxygen demand NO_x Nitrogen oxides
CO₂ Carbon dioxide NO₂ Nitrogen dioxide SO₂ Sulphur dioxide
COD Chemical oxygen demand

Signatures

The Board's assessment is that the dividend to shareholders in the proposed amount, in accordance with Note PC13, see page 132, is justifiable taking into account the requirements, on both the company and the Group, the nature of the business, its scope and risks place on the size of equity and also considering consolidation requirements, liquidity and other status. The financial position remains strong after the proposed dividend and is considered sufficient to ensure that the company can fulfill its short or long-term obligations, and has the opportunity to make any necessary investments.

The Annual Report and the consolidated financial statements have been approved for publication by the Board of Directors on March 4, 2020. The Group's income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for approval at the Annual General Meeting on March 31, 2020.

The Board of Directors and President declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's financial position and results of operations. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report also contains the Group's and Parent Company's sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 63, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 161–162.

Sundsvall, March 4, 2020

Pär Boman
Chairman
of the Board

Charlotte Bengtsson
Board member

Roger Boström
Board member,
appointed by
the employees

Lennart Evrell
Board member

Annemarie Gardshol
Board member

Martin Lindqvist
Board member

Lotta Lyrå
Board member

Bert Nordberg
Board member

Anders Sundström
Board member

Barbara Milian Thoralfsson
Board member

Hans Wentjärv
Board member,
appointed by
the employees

Johanna Viklund Lindén
Board member,
appointed by
the employees

Ulf Larsson
President and CEO,
and Board member

Auditor's report

To the general meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA (publ), corporate identity number 556012-6293

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2019 except for the corporate governance statement on pages 69–79 and the sustainability report defined on page 63. The annual accounts and consolidated accounts of the company are included on pages 58–132 and page 156 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December

31, 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 69–79 respectively 63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but

we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit

included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit report on the accompanying financial statement.

Forest Valuation

Description	How our audit addressed this key audit matter
<p>The Group's forest assets are divided into biological assets according to IAS 41 Agriculture, and land assets recognized in accordance with IAS 16 Property, Plant and Equipment.</p> <p>In order to better reflect the market value of the Group's forest assets, effective 2019-12-31, SCA elected to account for the Group's forest assets at market value based on transactions in the areas where SCA owns forest land. The change means that the accounting principle for forest land has changed to the revaluation method, i.e. that the forest land is recognized at fair value where changes in value are reported as other comprehensive income and, secondly, that the assumptions when valuing standing forest have changed. A description of the valuation of forest assets and important assumptions are presented in note D3.</p> <p>As of December 31, 2019, the forest (biological assets) has been disclosed at a value of SEK 49,5 billion and land assets at a value of SEK 20,2 billion. As of December 31, 2018, biological assets were disclosed at SEK 32,1 billion and land assets at SEK 1 billion.</p> <p>The valuation process is complex as it requires assessments both in terms of market statistics and separation of the total value of land and biological assets. Significant assessment areas include the scope and completeness of market statistics, area prices, discount rates, wood prices and felling costs. The valuation is classified as a Level 3 valuation in accordance with IFRS 13.</p> <p>Based on the above, we consider that the valuation of the Group's forest assets to be a Key Audit Matter.</p>	<p>In our audit we have evaluated and reviewed the company's process for valuation of forest assets at aggregated level and allocation of the value between biological assets and land assets. We have reviewed the reliability of the market data, key assumptions, discount rate (WACC) and other source data used by the company by i.e. comparing to external data sources, such as market transactions, expected inflation, forest prices, felling costs, assessment of future felling volumes and by evaluating the sensitivity in the company's valuation model. We have included valuation specialists in the team performing our review. We have specifically focused on the sensitivity in the calculations and assessed the company's historical capability to forecast.</p> <p>We have also assessed that the change of accounting policy leads to financial statements containing reliable and more relevant information.</p> <p>Finally we have assessed whether information provided in note D3 (Forest assets) is appropriate, in particular related to information of which of the assumptions given are most sensitive in the calculation of fair value and disclosures resulting from the change of accounting principle and changes in assumptions.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–57, 133–155 and 160–168. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President.
- Conclude on the appropriateness of the Board of Directors' and the President's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 69–79 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on page 63 with references, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB with Hamish Mabon as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Svenska Cellulosa Aktiebolaget SCA (publ) by the general meeting of the shareholders on the March 20, 2019 and has been the company's auditor since the April 14, 2016.

Stockholm March 4, 2020

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Auditor's Limited Assurance Report on Svenska Cellulosa Aktiebolaget SCA's Sustainability Report

To Svenska Cellulosa Aktiebolaget SCA (publ), corporate, identity number 556012-6293

Introduction

We have been engaged by the Board of Directors of Svenska Cellulosa Aktiebolaget SCA to undertake a limited assurance engagement of Svenska Cellulosa Aktiebolaget SCA's Sustainability Report for the year 2019. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 161–162.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on the pages 138–139, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Svenska Cellulosa Aktiebolaget SCA in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our

ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 4, 2020

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

GRI index 2020

SCA prepares its report in accordance with GRI Standards, Core option. All indicators are from 2016 except GRI 403-9 which refers to 2018.

GRI 102: General disclosures			
Disclosure number	Description	Page	Comment/Omission
Organizational profile			
102-1	Name of the organization	165	
102-2	Activities, brands, products and services	3, sca.com	
102-3	Location of headquarters	165	
102-4	Location of operations	95 (TB1:1)	
102-5	Ownership and legal form	56–57	
102-6	Markets served	5, 95 (TB1:1)	
102-7	Scale of the organization	4–5, 93–95 (Note B1)	
102-8	Information on employees and other workers	95, 138–139, 153	Apart from SCA's own employees, the main group that is not employed by SCA comprises contractors conducting forest services, some 900 people.
102-9	Supply chain	144	
102-10	Significant changes to the organization and its supply chain	59–60	
102-11	Precautionary Principle or approach	147	
102-12	External initiatives	136	
102-13	Membership of associations	136	
Strategy			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	55, 142–143	
Governance			
102-18	Governance structure	69–70, 136	
Stakeholder engagement			
102-40	List of stakeholder groups	137	
102-41	Collective bargaining agreements	146	
102-42	Identifying and selecting stakeholders	136–138	
102-43	Approach to stakeholder engagement	136–138	
102-44	Key topics and concerns raised	137	
Reporting practice			
102-45	Entities included in the consolidated financial statements	120 (Note F1), 138–139	
102-46	Defining report content and topic boundaries	138–139	
102-47	List of material topics	138	
102-48	Restatements of information	138	
102-49	Changes in reporting	59–60	
102-50	Reporting period	138	
102-51	Date of most recent report	138	
102-52	Reporting cycle	138	
102-53	Contact point for questions regarding the report	165	
102-54	Claims of reporting in accordance with the GRI Standards	138	
102-55	GRI content index	161–162	
102-56	External assurance	156, 160	

GRI 103: Management approach				
Area	Disclosure number	103-1: Explanation of the material topic and its boundary, page	103-2: The management approach and its components, page	GRI 103-3 Evaluation of the management approach
Economic performance				
GRI 201: Economic performance	201-1	138–139	136, 140–141	136
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	138–139	136, 140–141	136
Energy				
GRI 302: Energy	302-1	138–139, 151	136, 140–141	136
Biodiversity				
GRI 304: Biodiversity	304-3	138–139	136, 140–141	136
Emissions				
GRI 305: Emissions	305-5	138–139	136, 140–141	136
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	138–139	136, 140–141, 145	136
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity	405-1	138–139	136, 140–141	136

GRI 403: Occupational health and safety							
	403-1: Occupational health and safety management system	403-2: Hazard identification, risk assessment, and incident investigation	403-3: Occupational health services	403-4: Worker participation, consultation, and communication on occupational health and safety	403-5: Worker training on occupational health and safety	403-6: Promotion of worker health	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
Occupational health and safety							
403-9	145	136, 139, 143, 145	146	137, 139, 145–146	146	146	144, 147

Material sustainability topics				
Area	Disclosure number	Description	Page	Comment/Omission
Economic performance				
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	134	
Anti-corruption				
GRI 206: Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	142–143	
Energy				
GRI 302: Energy	302-1	Energy consumption within the organization	151, 154–155	
Biodiversity				
GRI 304: Biodiversity	304-3	Habitats protected or restored	148–149	
Emissions				
GRI 305: Emissions	305-5	Reduction of GHG emissions	150, 154–155	
Occupational health and safety				
GRI 403: Occupational health and safety	403-9	Work-related injuries	139, 143, 145–146, 153	Reporting for contractors who performed work at SCA's facilities, in forestry operations or conducted transport activities, only used for CLTA and fatal accidents.
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	78–79, 95, 145–146, 153	Departure for information on minority groups in accordance with Swedish law.

Multi-year summary

Continuing operations (SEKm)	2019	2018	2017	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾
INCOME STATEMENT						
Net sales	19,591	18,755	16,664	15,373	16,152	15,412
EBITDA	5,319²⁾	5,252	3,648	3,385	3,781	3,300
Forest	1,740	1,394	1,363	1,238	1,213	1,240
Wood	789	904	670	531	484	607
Pulp	983	709	482	530	970	768
Paper	2,064	2,468	1,479	1,246	1,317	855
Other	-257 ²⁾	-223	-346	-160	-203	-170
Amortization/depreciation and impairment	-1,616 ²⁾	-1,250	-1,137	-1,114	-2,517	-1,218
Operating profit	3,703²⁾	4,002	2,511	2,271	1,264	2,082
Financial items	-126	-29	-93	-84	-128	-221
Profit before tax	3,577²⁾	3,973	2,418	2,187	1,136	1,861
Taxes	-730 ²⁾	-314	-544	-417	-262	-482
Profit for the period	2,847²⁾	3,659	1,874	1,770	874	1,379
BALANCE SHEET						
Forest assets	69,682	33,065	32,384	31,765	31,113	30,679
Deferred tax liabilities related to forest assets	-13,977	-6,658	-6,905	-6,769	-6,626	-6,531
Working capital	3,748	3,735	2,861	2,740	3,002	3,118
Other capital employed	17,654	15,940	14,379	12,390	10,347	11,562
Capital employed	77,107	46,082	42,719	40,127	37,836	38,828
Equity	68,510	39,062	36,753	35,127 ⁴⁾	-	-
Net debt	8,597	7,020	5,966	5,000 ⁴⁾	-	-
Capital employed	77,107	46,082	42,719	40,127	37,836	38,828
CASH FLOW STATEMENT						
Operating cash flow	2,922	2,751	2,273	1,917	2,481	1,469
Cash flow before dividend	145	528	-754	-350	1,673	1,050
Current capital expenditures, net	-1,132 ³⁾	-1,002	-638	-959	-869	-876
Strategic capital expenditures in non-current assets	-1,256	-1,967	-2,863	-2,231	-946	-184
KEY FIGURES						
EBITDA margin	27.2% ²⁾	28.0%	21.9%	22.0%	23.4%	21.4%
Operating margin	18.9% ²⁾	21.3%	15.1%	14.8%	7.8%	13.5%
Industrial return on capital employed	11.9%	20.1%	12.5%	10.5%	2.2%	8.1%
Return on capital employed	6.9% ²⁾	9.0%	6.1%	5.8%	3.3%	5.4%
Working capital as a percentage of sales	20.2%	17.5%	17.7%	17.8%	18.6%	20.2%
Net debt/EBITDA	1.6x ²⁾	1.3x	1.6x	1.5x ⁴⁾	-	-
Net debt/Equity	13%	18%	16%	14% ⁴⁾	-	-
Data per share						
Earnings per share, SEK	4.05 ²⁾	5.21	2.67	2.52	1.24	1.96
Dividend per share, SEK	2.00 ⁵⁾	1.75	1.50	-	-	-
Operating cash flow per share, SEK	4.16	3.92	3.24	2.73	3.53	2.09

1) Restated financial information.

2) Excluding the impact of the changed accounting method for the valuation of forest assets.

3) SEK 99m from new, remeasured and terminated leases.

4) Pro forma. Pro forma net debt after reallocation to SEK 5,000m on December 31, 2016. Pro forma equity calculated as capital employed less pro forma net debt. Pro forma value of net debt and equity used in relation to EBITDA (not pro forma).

5) Board of Directors' proposal.

Definitions and glossary

Financial terms

Performance measures

EBITDA

Profit before depreciation, amortization and impairment, financial items and taxes.

EBITDA margin

Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.

Capital definitions

Capital employed

Calculated as the balance sheet's total assets excluding financial assets and pension assets, less any trade payables and other current non-interest-bearing liabilities.

Working capital

Working capital is calculated as short-term operating receivables (inventories, accounts receivable and other non-interest-bearing current receivables) less current operating liabilities (trade payables and other non-interest-bearing current liabilities).

Net debt

Calculated as financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).

Profitability ratios

Return on capital employed

Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of capital employed on average for the two most recent quarters. Industrial segments only use industrial ROCE.

Industrial return on capital employed

Calculated as the Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment and a share of other activities. Strategic capital expenditures in industry that have not begun operating are excluded. This measure applies to all industrial segments.

Cash flow performance measures

Operating cash surplus

EBITDA with deductions for capital gains and capital losses from property, plant and equipment and intangible assets and the reversal of the share of profits of associates and the result of the forest revaluation.

Operating cash flow

Operating cash flow comprises the sum of operating cash surplus and change in working capital, with deductions for current capital expenditure and restructuring costs.

Cash flow from current operations

Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

Strategic capital expenditures in non-current assets

Strategic capital expenditures increase the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost competitiveness.

Current capital expenditures, net

Current net investments consist of investments made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature, with deductions for compensation from divested non-current assets, aimed at preserving the value of assets.

Glossary

CTMP (Chemical thermomechanical pulp)

A high-yield pulp produced through heating and mechanical defibration in a refiner of preheated, chemically pre-treated softwood.

FSC (Forest Stewardship Council)

An international organization working to ensure responsible forest management. The FSC has developed principles for responsible forestry that can be applied for certifying forest management and that facilitate FSC labeling of wood products from FSC-certified forests.

Kraftliner The surface layer of corrugated board based on fresh wood fiber.

LWC paper (Light Weight Coated)

LWC paper is a coated paper with a high mechanical pulp content. Used for high-quality magazines and advertising materials with demanding color-printing requirements.

m³sub Solid cubic meter under bark.

Specifies the volume of timber excluding bark and tops. Used in harvesting and the timber trade. 1 m³sub equals about 1.22 m³fo.

m³fo Forest cubic meter. Volume of timber including tops and bark, but excluding branches. Used to describe the forest portfolio of standing timber. Growth is also specified in forest cubic meters.

1 m³fo equals about 0.82 m³sub.

PEFC – Programme for the Endorsement of Forest Certification

An international forest certification system.

Productive forest land Land with a productive capacity that exceeds an average of one cubic meter of forest per hectare annually.

NBSK bleached softwood kraft pulp manufactured by boiling wood fiber with chemicals.

Solid-wood products Wood sawn into various sizes for use in, for example, furniture manufacturing and the joinery industry or as construction timber.

Wood raw material relates to fresh wood fiber used in solid-wood products, pulp and paper products.

About the Annual General Meeting

The Annual General Meeting of Svenska Cellulosa Aktiebolaget SCA will be held on Tuesday, March 31, 2020 at 1:00 p.m. at Hotel Södra Berget, Södra Stadsberget 1, Sundsvall, Sweden.

Registration for the Annual General Meeting will start at 11:30 a.m.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must be listed in the shareholders' register maintained by Euroclear Sweden AB on Wednesday, March 25, 2020, and, give notice of their intention to attend the meeting no later than Wednesday, March 25, 2020.

Notification may be given in any of the following manners:

- by telephone at +46 60 19 33 00, weekdays between 8:00 a.m. and 5:00 p.m.
- on the company's website www.sca.com
- by mail to Svenska Cellulosa Aktiebolaget SCA, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, SE-101 23 STOCKHOLM.

The following applies to shareholders who have their shares registered through a bank or other nominee in order to be entitled to attend the meeting. In addition to giving notification, shareholders must request that their shares be registered under their own names. Such registration in the shareholders' register must be completed at Euroclear Sweden AB by Wednesday, March 25, 2020 at the latest. In such cases, the shareholders in question should instruct the bank or nominee of this well in advance of Wednesday, March 25, 2020. Such registration may be temporary.

Name, personal identity number/ corporate registration number, address and telephone number, and telephone number of assistants, if any, should be stated when notification is given. Shareholders represented by proxy must issue a power of attorney for their

representative. Proxy forms are available in Swedish and English upon request from the company and are also available on the company's website www.sca.com. A power of attorney is valid for one year from its issue or the longer period of validity stipulated in the power of attorney, though not more than five years. Anyone representing a legal entity must present a copy of the registration certificate, not older than one year, or equivalent authorization documents, listing the authorized signatories. To facilitate entry into the Meeting, the power of attorney in the original, the registration certificate and other authorization documents should be sent to the company at the above address, well in advance of the Meeting.

The Notice convening the Annual General Meeting can be found on the company website www.sca.com.

Addresses

Headquarters

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For details about contact persons, refer to sca.com



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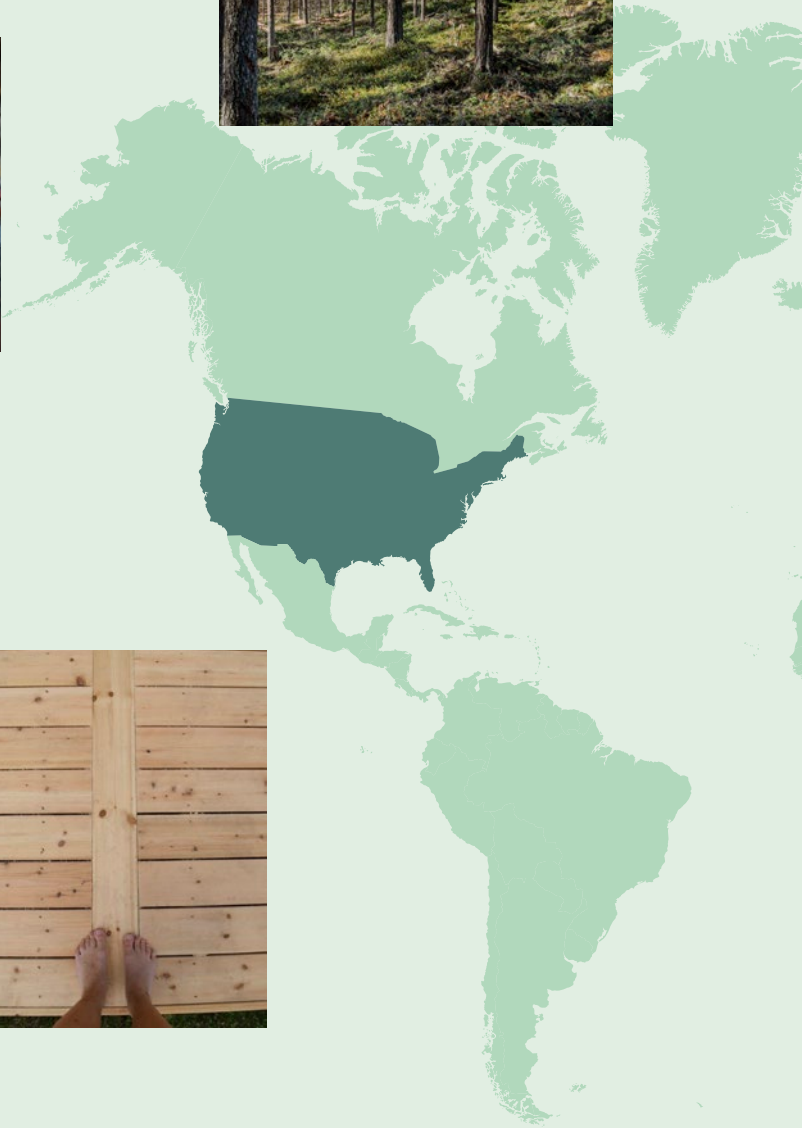
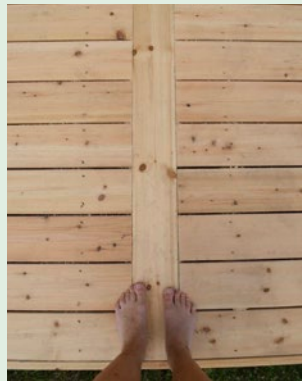
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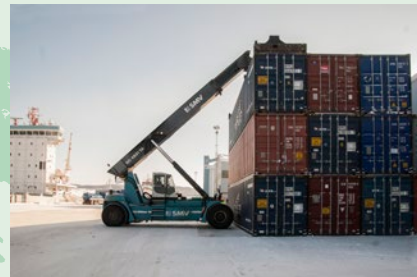
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SCA's Annual Report is produced with the greatest possible environmental consideration. Our paper, GraphoSilk 100g/m², is manufactured using raw material from responsibly managed forests in Northern Sweden at Ortvisen paper mill, a mill with exceptionally low emissions of CO₂ from fossil sources.

Printing: Stibo Complete, Katrineholm, 2020

SCA in the world



Products demanded by customers across the globe are manufactured from the raw material found in the forests of Northern Sweden. But the aim is not to sell to as many countries as possible. Instead, SCA seeks out the markets and customers where the company's products can generate the greatest value and where SCA can gain a significant and strategic market position.



Wood fiber –
a few millimeters long,
a fraction of a millimeter wide,
if managed responsibly, will last forever
and is the foundation for an industrial ecosystem.