

A photograph of a forest stream with a fallen log across it. The water is flowing over the log, creating a small waterfall. The background is a dense forest of tall trees.

# **Sustainability report**

## **2012**

**W**  
**SVEASKOG**



# Sustainability report

Sveaskog will be the most profitable forest company in the short and long term. This will be achieved among other things by being best at combining profitable forestry with environmental responsibility.

Sustainability awareness is a natural part of Sveaskog's business and is clearly stated in the owner's, the Swedish state, owner policy.

Sveaskog has been reporting on its sustainability initiatives in accordance with the Global Reporting Initiative's (GRI) guidelines since 2008. GRI is an international standard for presenting and reporting and a way of working in order to govern sustainability initiatives internally as well as fulfilling the assignment from the owner.

Sustainability reporting is also a way of providing an open and transparent description of the business and its challenges, presenting sustainability targets and target performance, and increasing knowledge of the company.

The 2012 Sustainability report is submitted by Sveaskog's Board of Directors. The report meets GRI's application level B+ and is reviewed by PricewaterhouseCoopers AB, the company's auditors.

## Contents

3	The past year
4	CEO's comments
5	Chairman's statement
6	Assignment, strategy and objectives
7	Sveaskog's business
10	Targets and performance
12	Sustainability
14	Stakeholder dialogue and materiality assessment
16	Debate and society
20	Environment and conservation
24	Climate initiatives and carbon footprint
26	Employees
32	About the report
33	GRI G3 index with page references
39	Board signatures and Auditors' Assurance Report
40	Risk and sensitivity analysis
44	Corporate governance report
48	Board of Directors
50	Group management

# Sweden's leading forest company

Sveaskog is Sweden's largest forest owner and sells sawlogs, pulpwood and biofuel to approximately 170 customers, primarily in the pulp and paper and sawmill industries. Sveaskog also works with land transactions and develops the forest as a venue for hunting, fishing and other nature-based experiences. The subsidiary Svenska Skogsplantor AB is the Swedish market leader within forest regeneration and seedlings.

The forest and its assets are Sveaskog's core business. Conducting forestry operations and developing new business opportunities and applications for wood raw material, wood products and forest land are a major responsibility. Sustainable development permeates every aspect of Sveaskog's business. A tree that is planted today will be harvested in 50–120 years. The growing forest and production of wood raw material make a substantial contribution to counteract climate change.

Sveaskog owns land worth approximately SEK 30 billion, has annual sales of SEK 6.3 billion and approximately 700 employees throughout Sweden. Sveaskog is owned by the Swedish state. The main geographic market is Sweden.

**170** timber customers

**36** ecoparks

**702** employees

**9.5 GWh**  
electricity consumption

**10,000**  
felling sites

**5%** yield target

**20%** women

**14%** of Swedish  
forest land

**30** billion kronor  
in forest value

**8,400** different leases

**10.7** million m<sup>3</sup>sub  
timber deliveries

**6.3** billion  
kronor in sales

## Financial calendar

<b>22 April</b>	Interim report January–March and AGM
<b>19 July</b>	Interim report January–June
<b>24 Oct</b>	Interim report January–September
<b>Jan 2014</b>	Year-end report 2013

Reports can be accessed at [www.sveaskog.se](http://www.sveaskog.se)

# 2012

## The past year

**The economic slowdown** which started in 2011 continued in 2012. Prices of wood raw material fell which contributed to a lower operating profit from continuing operations for Sveaskog. Sales volumes were maintained, however, in 2012 and were on a par with the previous year.

**The storm Dagmar** in late 2011 resulted in additional costs of SEK 70 million for processing the storm-felled timber.



**Operating profit from continuing operations** decreased to SEK 848 million (1,085). Profit for the year after tax increased to SEK 2,155 million (899) mainly due to a reduction in the corporate tax rate starting in 2013. This affects deferred tax and the earnings impact is SEK 1,328 million.

**In the second quarter** Sveaskog paid a dividend of SEK 4,473 million to its owner, the Swedish state.

**The forest debate** was heated in 2012. DN published an acclaimed series of articles about forestry and Sveaskog debated its approach to felling in several forums.

**During the political week** in Almedalen, Sveaskog attended as a leading player in the forest industry. Round table discussions were organised with various politicians and opinion makers.

**A new vision and strategy** were adopted during the year and started to be implemented in September. A more customer-oriented organisation was put in place in the spring.

**Sveaskog's railway terminal in Nattavaara**, 60 kilometres south of Gällivare, was inaugurated in June. Sveaskog has invested SEK 10 million in the terminal and owns the 400-meter track, the signal system and switching gear. The terminal means that more raw material can be shipped by rail instead of by road which reduces carbon dioxide emissions and leads to lower transport costs.



**Three ecoparks were inaugurated during the year**, Forsmark in northern Uppland, Tranuberg in north-west Dalarna and Tjädnes-Nimte in Norrbotten. Tjädnes-Nimte has a total area of 22,000 hectares and is approximately 30 kilometres long, making it Sweden's largest ecopark. Sveaskog has decided on 36 ecoparks, which correspond to about 5% of the company's productive forest land. The first was opened in 2003. Including the three added in 2012, the number of ecoparks now totals 32.

**In autumn 2012** an advertising campaign was conducted to increase interest in becoming forest owners. The campaign theme was "Forest ownership in new ways" and the advertisements try to challenge the traditional image of a forest owner.

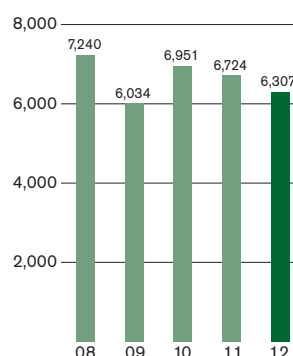


## Financial development 2008–2012

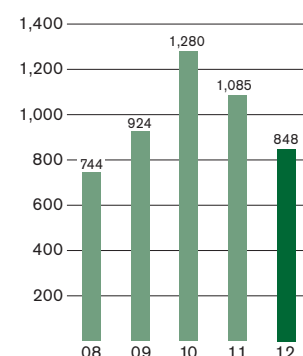
	2008	2009	2010	2011	2012
Net sales, SEKm	7,240	6,034	6,951	6,724	6,307
Operating profit from continuing operations, SEKm	744	924	1,280	1,085	848
Operating profit, SEKm	1,738	2,915	3,031	1,459	1,422
Profit for the year, SEKm	1,370	1,924	2,055	899	2,155
Return on equity, %	8.7	11.3	11.0	4.7	12.3
Yield, excluding capital gains on property sales, %	2.6	3.3	5.4	4.4	3.2
Return on operating capital (incl. Change in value of forest assets) %	7.5	12.3	12.5	6.1	5.8
Equity ratio, %	48	52	55	54	47
Gross margin, %	27	52	44	23	25
Operating margin, %	24	48	44	22	22
Total dividend, SEKm*	89	487	1,739	4,473	435

\* Dividend for 2012 is proposed dividend.

Net sales, SEKm



Operating profit from continuing operations, SEKm



# Sveaskog stands strong in the storm

## Weak economy in 2012 as well

2012 was a tough year for the Swedish forest industry. The economic slowdown that started in 2011 continued in 2012 and prices of wood raw material fell. Cutbacks were implemented in the pulp and paper industry. The Swedish krona was strong which affected this export-dependent industry. One tangible consequence of this pressure was that a number of sawmills went bankrupt and demand for wood raw material fell. The storm Dagmar, which felled a large volume of forest in 2011, led to significant additional costs for Sveaskog during the year when the storm-felled trees were processed.

In 2012, we did not achieve our financial target of a yield of at least 5% and the figure was 3.2%. On the other hand, we achieved a total return of 12.3% which is well above the target of at least 7%. Total return for the year was mainly affected by the changed corporate tax rate.

Despite the macroeconomic development, difficulties in the industry and falling prices, Sveaskog managed the year relatively well. Volumes were on a par with the previous year and although both earnings and yield decreased, our operating profit from continuing operations was SEK 848 million. This says something about the strength of the Group and confirms that we are a leading player within the Swedish forest industry. When smaller forest owners stop felling because prices are too low, we at Sveaskog carry on. We are the backbone of the Swedish forest industry and we had considerable felling in our own forests in 2012 in order to meet our customers' needs for access to wood raw material.

## Market return

A few years ago our owner, the Swedish state, significantly tightened its requirements on Sveaskog with the focus on a market return. We are adapting to these more stringent demands and are in the midst of efforts to reshape the organisation, make our own work more efficient and sharpen our offering so that customers feel that Sveaskog is their most competent partner. The greatest challenge is to increase our knowledge of customers' business, their technical reality and adapt to meet their needs, simply be more customer-oriented. This is how we will develop our business and thereby improve profitability.

## Customer and market-oriented organisation

When I took over as CEO of Sveaskog in autumn 2011, I spent my first few months acquiring a picture of how the Group needs to change in order to meet the requirements of its owner. In January 2012 we presented a more customer and market-oriented organisation and by 1 April this had been launched. Today, our customers meet us in three geographical areas, North, Central and South. Property transactions are in a separate business area and our subsidiary Svenska Skogsplanter is a market leader in forest regeneration and seedlings.

We have also developed a new vision and strategy. During the year, several activities were underway in the company to cope with the



*Per-Olof Wedin,  
President and CEO.*

## Sveaskog to be the most profitable forest company

necessary shift in approach and working methods. I can already see positive effects from these changes. We have both reduced our costs and come closer to the customer. There is a wonderful sense of commitment among our employees who want to be involved in developing Sveaskog and to take part in the journey of change that we have started. I would also like to mention "continual improvements" to which every individual can contribute in their day-to-day work. Maybe by doing something differently or simply no longer doing something that does not create added value for the customer. We must simplify and not be slaves to bureaucracy. This is why we have more than halved the number of instructions for how things should be done.

## To be the most profitable forest company

Our vision is to be the leading forest company. This means being the most profitable forest company in the short and long term, being the preferred choice of business partners and employees, leading development and innovation in our industry and being best at combining profitable forestry with environmental responsibility.

These are major challenges but in some parts of Sveaskog we are already there. Today, we are Sweden's biggest forest owner, we are the largest timber partner in the market and we are good at combining profitable forestry with environmental responsibility. But this does not mean that we stop trying to improve. Above all, we need to do more to increase cost efficiency and productivity in our industry. Sveaskog is therefore involved in investments in innovation and technological development to drive the industry forward.

The main features of the strategy are to improve profitability in the value chain from forest to customer, to develop business around timber and biofuel, and increase revenue from forest land. At the same time, we will develop our forest holdings profitably and sustainably. The way we work is based in a culture characterised by our values: customer focus, innovation, simplicity and transparency.

#### **Many stakeholders around thriving forestry**

Our business is based on thriving and growing forests. The fact that we make the best financial use of it benefits all our stakeholders. I believe few companies in Sweden have such a broad network of contacts as Sveaskog. Everything from banks and investors involved in our financing to the reindeer industry in the north, various forest entrepreneurs, a wide range of interest groups, our state owner and therefore the Swedish people.

One of our owner's financial targets is a yield of 5%. In addition, we have targets for return on equity, equity ratio and dividend. In 2012, we paid a dividend to the state of almost SEK 4.5 billion, which was SEK 4 billion in excess of the target. The reason for this large extra dividend was to adjust the capital structure and reduce the equity ratio in the Group.

The proposal to the Annual General Meeting in April is a dividend of SEK 435 million, which corresponds to 70% of profit after tax excluding non-cash flow changes in value.

#### **Responsibility for sustainable development**

Being Sweden's largest forest owner is a major responsibility and sustainable thinking is naturally embedded in our business. There are also requirements on us as a state-owned enterprise to lead by example in the Swedish business community. We apply the UN Global Compact's ten principles on human rights, labour law, environment and anti-corruption, and we report our work in accordance with the Global Reporting Initiative, GRI. Our sustainability report is also reviewed by our auditors.

We are reminded every day of the forest, the countryside and all the possibilities these offer people in the form of a rich life. Many have opinions about how the forest should be managed and harvested and in 2012 the debate was quite intense at times. But the fact remains – the Swedish forests are growing and the forest's ability to store carbon dioxide is positive for the climate. Extractions are less than growth and we have rich and thriving forests in Sweden. And our mission is to conduct commercial forestry with a market return over time. The forest is part of the Swedish soul and the fact that it involves and concerns people is a strength. This also means that Sveaskog involves and concerns. This bodes well for the future.



Stockholm, March 2013.

Per-Olof Wedin, President and CEO.

## **Chairman's statement**

# **Five questions to Göran Persson**

**In 2012, the Board decided on a new vision, a new strategy and a new organisation. How do you see these changes?**

"We have formulated a clear goal for Sveaskog and drawn the road map for the way forward. The strategy is being implemented and is very much about customer focus and continual improvements to create value for the customer. The changed organisation



*Göran Persson, Chairman.*

allocates profit responsibility to make it clear and close to both the individual and the customer, which is a strong driving force for achieving results. We could already see the effects of this in 2012, even though it was a challenging year."

**To what extent is Sveaskog responsible for maintaining a viable timber market?**

"Sveaskog's responsibility is to generate a market return to its owner even when the economy is weak. 2012 was a weak year with falling prices and naturally Sveaskog cannot reduce prices to an unlimited extent. Then it is in Sveaskog's interest that the Swedish sawmill industry is viable and one thing that ensures this is the availability of wood raw material. Without Sveaskog the wood products industry would be at a standstill."

**What is the most important issue for the forest and wood industry?**

"Climate change, not just for the forest industry but for the whole of society. The forest plays a decisive role here. It binds carbon dioxide and most of all when growth is greatest, when it is young and middle-aged. Sustainability issues have a natural and obvious place in Sveaskog's strategy – the entire business is based on developing the forest holdings profitably and sustainably."

**What do you see as important issues in 2013?**

"I feel some concern about the issues in the forest policy debate, where this is heading. Forest owners must be able to act based on their circumstances and not be hemmed in by numerous regulations. It would be devastating to the forest industry if more red tape makes forestry difficult."

**How do you see the market situation for the industry?**

"We are in a recession which could be lengthy and the challenge is to meet the changed market conditions, the reduced demand and the effects of the strong Swedish krona. This affects the profitability of the entire industry. So far, Sveaskog has been successful in adapting to the difficult times even though operating profit was lower in 2012 than in the previous year. There will be setbacks in 2013 although there are some signs that the bottom has been reached."



# Business which generates a market return

## Sveaskog's assignment

Sveaskog is owned by the Swedish state and its assignment is to operate on a commercial basis and generate a market return. The company should be an independent player with forestry as its core activity, without major interests of its own as an end-user of wood raw material. Closely related activities may also be conducted provided they contribute to increasing the company's returns. Sales of land on market terms will enable reallocation of land holdings and add-on purchases for private forestry, particularly in rural areas. Sales of land will be carried out until 10% of the area owned by the company at its formation in 2002 has been sold.

## Group vision

Sveaskog is to be the leading forest company, which means:

- Being the most profitable forest company in the short and long term
- Being the preferred choice for business partners and employees
- Leading development and innovation in the industry
- Being best at combining profitable forestry with environmental responsibility

## Objectives

- Increased profitability
- Satisfied customers
- Most attractive employer and client
- Leader in innovation and efficiency
- Leader in sustainable development

## Financial targets:

- Yield at least 5%
- Return on equity at least 7%
- Equity ratio 35–40%
- Dividend at least 60% of profit after tax excluding non-cash adjustments in accordance with IFRS. Sveaskog's consolidation requirements and financial position in general shall be taken into account.

These targets are long-term and relate to the average over a business cycle, which is normally six-seven years.

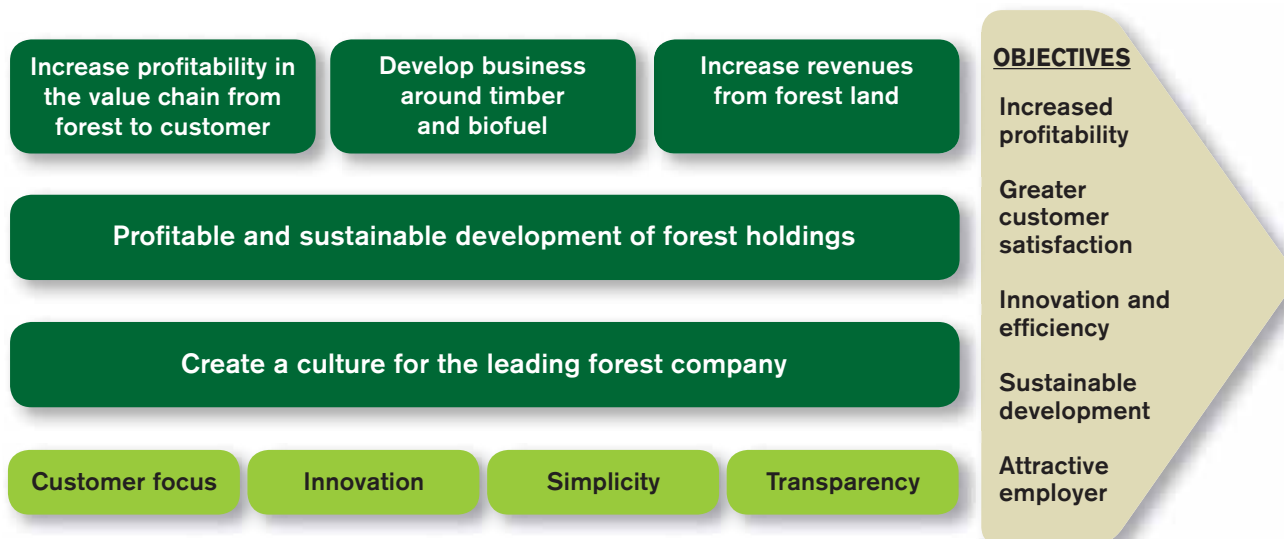
## Overall strategy

Sveaskog's core is its forest holdings and the foundation of the business is profitable and sustainable development of the forest. This involves managing the forests in a way that provides the highest long-term profitability and flexibility. When the forest is felled this is based on long-term harvesting calculations that benefit long-term growth and maximise timber extraction. At the same time, Sveaskog has high ambitions to contribute to strengthening biodiversity by using 20% of its productive forest land for nature conservation in ecoparks, nature conservation forests and showing consideration for nature when felling.

Sveaskog's operations are commercial and must generate market returns. One key strategic issue in efforts to achieve this is to increase profitability in the value chain from forest to customer. Production and efficiency will be increased through innovation, continual improvements and building on best practice in the business. The right quantity and quality will be delivered at the right time. Effective purchases and an improved supplier base are essential.

To increase profitability deals relating to timber and biofuel are developed. This is about focusing on profitability over volume, matching supplies and services and increasing the value and consumption of wood.

Sveaskog's large holdings of forest land are an asset with potential for increased revenues. Revenues from the forest land will be increased through land concessions and new business based on forest land, leasing out land for business activities and recreation. Sveaskog is Sweden's largest forest owner and works to be the leading forest company. The corporate culture is characterised by customer focus, innovation, simplicity and transparency. Attractiveness will be strengthened and diversity increased in order to secure long-term resources.





*Sveaskog offers a broad range of wood raw material and develops deliveries based on customer requirements. The forest is the core business. Seen here Forest Field Assistant Göran Johansson.*

# Forest business in new ways

## Decentralisation and customer orientation

As part of efforts to develop the business with a greater customer focus, a changed organisation was introduced on 1 April 2012. The organisation is characterised by decentralised profit responsibility, a clearer decision-making structure, increased customer orientation, more effective collaboration and resource optimisation. Great importance is attached to taking advantage of being one Sveaskog.

Business activities are organised in three market areas: North, Central and South. The market areas have overall responsibility for sales, production, logistics and forestry within their geographical area. Concessions, property transactions and property management have been placed in a single business area: Properties. Svenska Skogsplanter AB and Sveaskog Baltfor SIA operate as subsidiaries.

## Increased revenues from forest land

Sveaskog owns 14% of productive forest land in Sweden which has a value of approximately SEK 30 billion. In addition to active forestry, Sveaskog also used the land for hunting, fishing and other activities. Sveaskog works to strengthen its forest holdings in areas where it has customers, at the same time as part of the business is to develop revenue opportunities from land holdings.

## A natural cycle from forest to customer

Sveaskog's business starts with an understanding of customer needs – a demanding challenge in a business where the raw material takes 60 years to become ready for harvesting. Sveaskog's business can be described as a natural cycle of planning, land usage, planning,

silviculture, felling and selling. Added to this are pure property transactions.

## Sustainable management and responsible harvesting

A good return on forest holdings requires sustainable management as well as effective and responsible harvesting. Felling is improved by using planning tools, better machines, new methods and innovations in daily work.

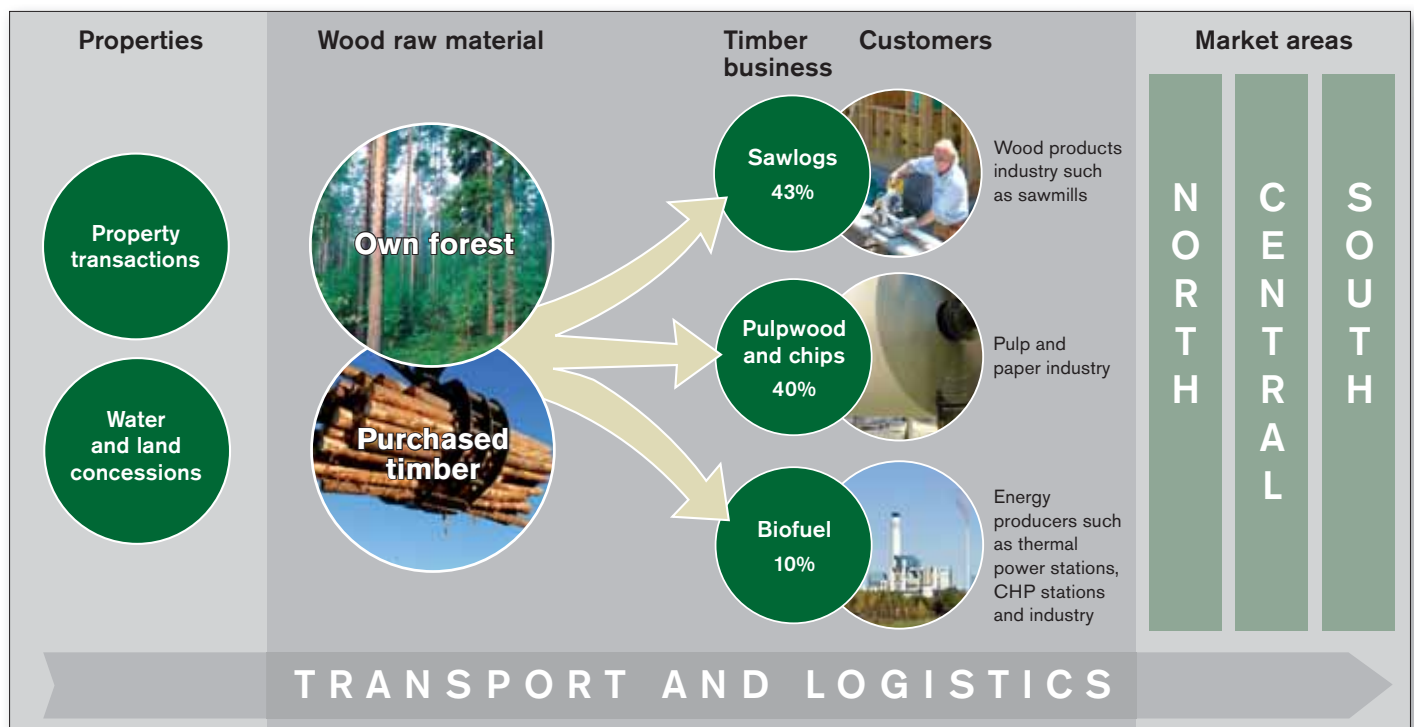
The basis for sustainable forestry is that long-term growth is in line with or exceeds extraction. Sveaskog is today the leader in Sweden in forest regeneration and seedlings through its wholly owned subsidiary Svenska Skogsplanter AB.

Sveaskog buys timber in the field as well as importing wood raw material depending on customer demand. A large proportion of imports are made through its subsidiary Sveaskog Baltfor SIA.

## Timber business adapted to customer needs

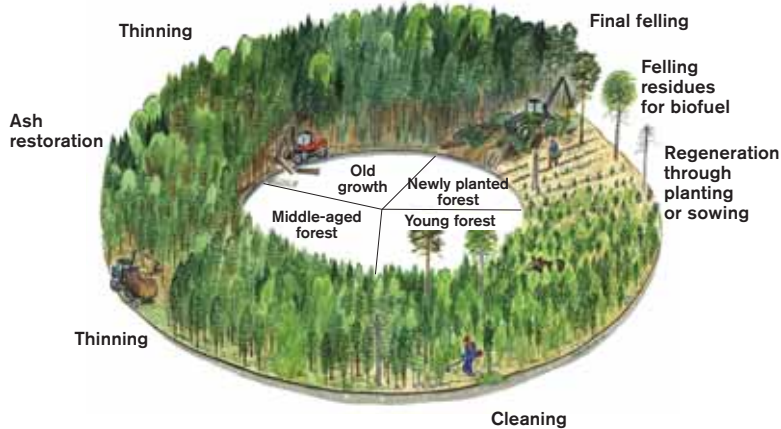
Access to wood raw material is a competitive factor and the product range is adapted to meet customer needs. Sveaskog is Sweden's leading seller of wood raw material and offers a broad range within the segments sawlogs, pulpwood and biofuel. Sveaskog carries out felling in about 10,000 locations around Sweden which makes logistics and transports key areas where improved efficiency means lower costs. Customers are primarily Swedish sawmills and pulp and paper mills. Biofuel is sold to thermal power stations, combined heat and power plants, forest industries and pellet manufacturers.

## Value chain from forest to customer

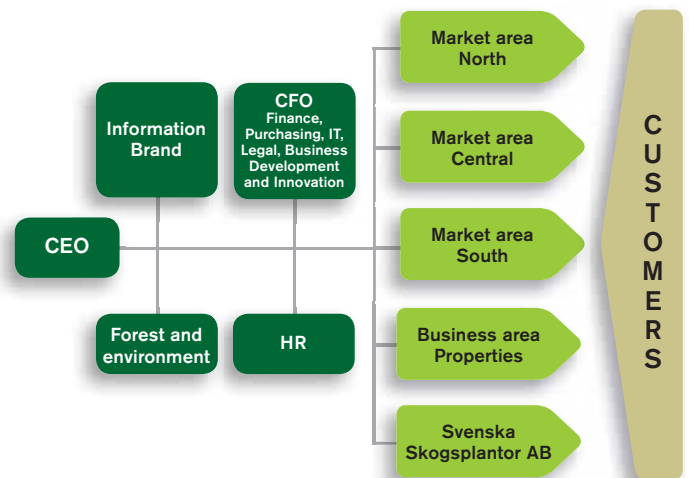




## A natural cycle with a customer focus

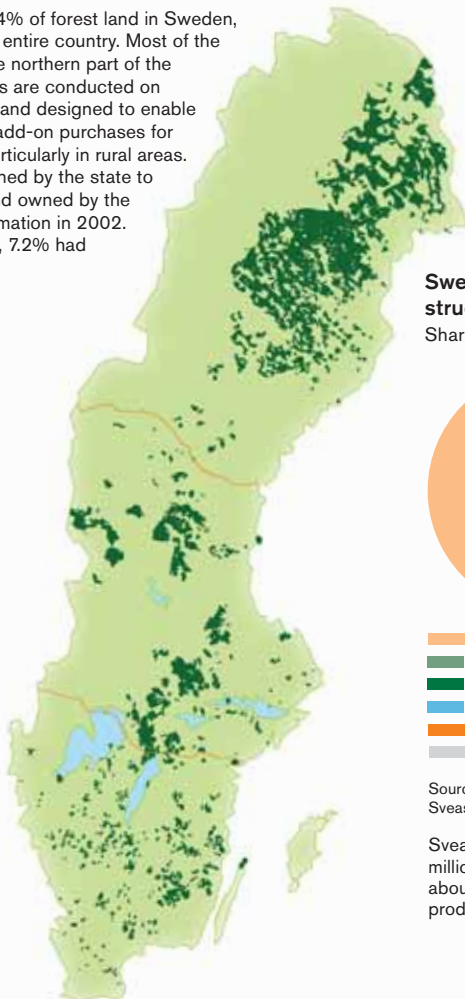


## A customer-oriented organisation

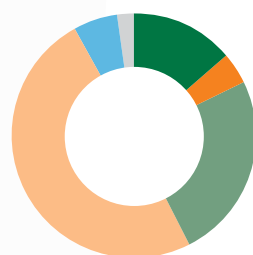


## Sveaskog is Sweden's largest forest owner

Sveaskog owns 14% of forest land in Sweden, spread across the entire country. Most of the forest land is in the northern part of the country. Land sales are conducted on commercial terms and designed to enable reallocations and add-on purchases for private forestry, particularly in rural areas. Sveaskog is assigned by the state to sell 10% of the land owned by the company at its formation in 2002. By year-end 2012, 7.2% had been sold.



**Swedish forest owner structure, %**  
Share of productive forest land

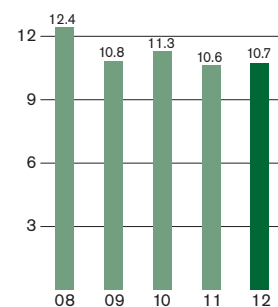


- Private owners 50%
- Private forest companies 25%
- Sveaskog 14%
- Other private owners 6%
- State 3%
- Other public owners 2%

Source: Swedish Forest Agency and Sveaskog.

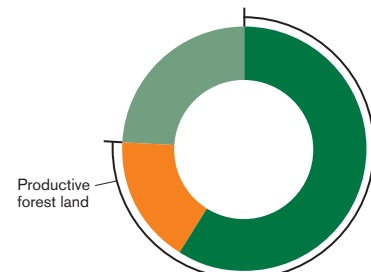
Sveaskog owns approximately 4.1 million hectares of land, of which about 3.1 million hectares is productive forest land.

**Total delivery volume**  
000s m<sup>3</sup>sub



Sveaskog is Sweden's largest forest owner. In 2012, timber delivery volumes solid under bark (sub) were on a par with the previous year and amounted to 10.7 thousand m<sup>3</sup>sub.

**Sveaskog's land area**  
Total 4.1 million hectares



- Production forests excluding nature conservation\* 2.46 million hectares
- Nature protection and conservation including montane forest region 0.7 million hectares
- Other 1.0 million hectares

\* Consideration for nature at felling 0.22 million hectares.

# Targets and performance

Sveaskog's assignment from its owner is to deliver a market return. Return is measured as yield and return on equity. There are also targets for equity ratio and dividend. The targets are long-term and relate to an average over a business cycle.

In addition to economic targets, Sveaskog is governed by its assignment from the state to set a good example within sustainable development, which is defined as "sustainable development is development which satisfies the needs of today without jeopardising the ability of future generations to satisfy their needs". Requirements include support for and compliance with international guidelines,

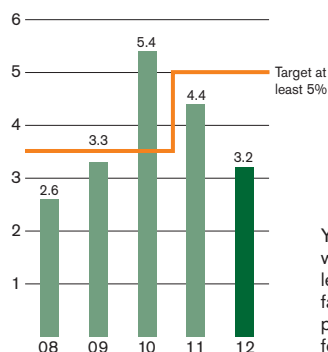
integrated work with sustainable business and to present, report and follow-up sustainability work according to the international standard Global Reporting Initiatives, GRI.

Sveaskog has adapted management by objectives within sustainability work to environmental targets for biodiversity, water and land, and climate impact and emissions. Within social responsibility targets have been formulated for satisfied employees, good leadership, no work-related injuries, a more even gender balance, and social responsibility within good business relations and confidence in Sveaskog. The sustainability targets will be reviewed in 2013.

## Economic targets and performance 2012

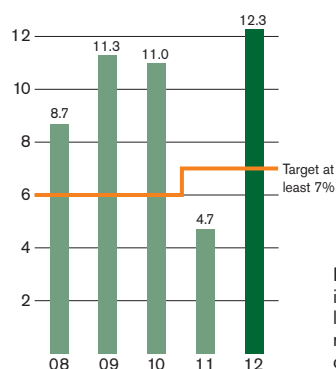


Yield, %



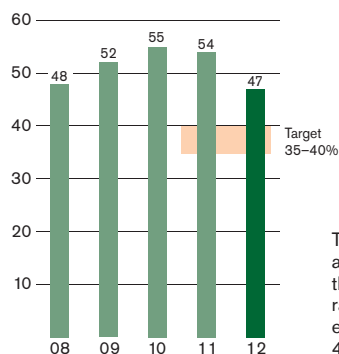
Yield for 2012 amounted to 3.2%, which is below the target of at least 5%. The main reason is less favourable earnings due to lower prices and costs for storm-felled forest.

Return on equity, %



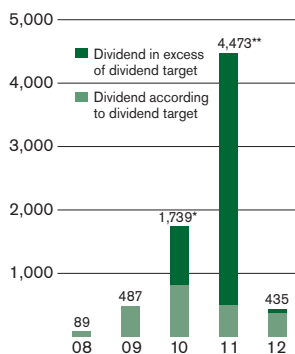
Return on equity was 12.3%, which is well in excess of the target of at least 7%. The reason for the high return is mainly the effects of a changed corporate tax rate.

Equity ratio, %



The equity ratio amounted to 47% at year-end, which is higher than the target of 35-40%. The equity ratio decreased in 2012 due to an extra dividend to the owner of SEK 4,000 million.

Dividend, SEKm



\* Incl. Consolidated value for dividend of Ersättningsmark i Sverige AB.

\*\* Proposed dividend, to be decided by the 2013 AGM.

Dividend over time to correspond to at least 60% of profit after tax, excluding non-cash adjustments according to IFRS. Sveaskog's consolidation requirements and financial position in general shall be taken into account. For 2012 the Board proposes a dividend of SEK 435 million, which corresponds to 70% of adjusted profit after tax.



## Environmental targets and performance 2012



### Biodiversity

**Target:** 20% of productive forest land within each forest region to be used as nature conservation land.

**Performance:** 20% has been set aside and tools for selection, reappraisal and restoration are in place.

**Target:** Create ecoparks corresponding to approximately 5% of forest land.

**Performance:** 36 ecoparks totalling 175,000 hectares (5%) decided on, 32 have been inaugurated.

### Water and land

**Target:** Identify valuable aquatic ecosystems and draw up action plans.

**Performance:** Selection model for aquatic landscapes has been developed and one aquatic landscape per market area has been inventoried. Management plans will be drawn up and proposed action carried out. 100 wetlands have been restored. The target has thus been reached.

**Target:** Reduce number of significant incidences of hauling damage.

**Performance:** 92% (93) of felling operations at random assessments were approved with regard to significant hauling damage.

### Climate impact and emissions

**Target:** To reduce emissions from combustion of fossil fuels by at least 30% by 2015, comparative year is 2008.

**Performance:** Fossil emissions of carbon dioxide in 2012 from Sveaskog's entire operations totalled 134,000 tonnes, of which 78,000 tonnes came from timber transports and 41,000 tonnes from silviculture and felling. In 2008, emissions from timber transports amounted to 77,000 tonnes and 38,000 tonnes from silviculture and felling. No marked reduction in emissions for the significant parts has thereby taken place. The assessment is, however, that a marked reduction may occur in the next two years due to increased use of renewable fuels in harvesting and road transports, increased use of rail transports and successive efficiency improvements. On the other hand, management's assessment is that the target of a 30% reduction will probably not be fully achieved by 2015.

## Social targets and performance 2012



### Employees

#### Satisfied employees\*

Employee Satisfaction Index

Target: 70

Performance: 69 (2011)

#### Completed performance reviews

Target: 100%

Performance: 96% (2011)

#### Good leadership

Leadership Index

Target: 70

Performance: 72 (2011)

#### No work-related injuries

Work-related injuries per 1,000 FTEs

Target: 0

Performance: 9.5 (6.0)

#### More even gender balance

Gender balance/unit\*

Target: More even gender balance/unit

Performance: More even gender balance at one out of three units

#### Proportion of women managers

Target: Higher percentage

Performance: 27% (23)

### Social responsibility

#### Good business relations

Customer Satisfaction Index

Target: 70

Performance: 65 (64)

#### Supplier Satisfaction Index

Target: 70

Performance: 67 (70)

#### Contractor Satisfaction Index

Target: 70

Performance: 70 (69)

#### Confidence in Sveaskog

Confidence Index\*

Target: 67

Performance: 67 (2010)

#### Stakeholder dialogues

Target: 2,800 people/year

Performance: 4,490 (4,188)

\* Measurement planned for 2013.

\* Survey performed every two years.

\* The three units comprise permanent employees within the market areas including the Properties business area as well as Sveaskog Baltfor SIA, Sveaskog Förvaltnings AB's staffs, and Svenska Skogsplantor AB.

# Sustainable forestry a good business

## Sustainable business

Sustainable business is about economics as well as environmental and social responsibility. Sveaskog is Sweden's largest forest owner and a leading forest company which means a major responsibility to combine profitable forestry with environmental responsibility.

**Economy:** By being a profitable company Sveaskog can contribute to the positive development of society since its operations indirectly generate employment in the entire country, often in rural areas. Part of Sveaskog's assignment from its owner, the Swedish state, is to sell forest land in order to encourage private forestry which often provides support in rural areas. Approximately 13,000 hectares of land was sold in this way in 2012.

**Environment:** The climate issue is a threat but also an opportunity for the forest and for Sveaskog. The forest is affected by changing weather and temperature conditions such as increased precipitation and more storms. At the same time, the growing forest and applications for wood play a significant role in mitigating climate change. The growing forest binds carbon dioxide, which can mean new business opportunities in a market for ecosystem services.

Sveaskog measures its carbon footprint and the largest part comes from timber transports. Efficient logistics and renewable fuels are key components of efforts to reduce the consumption of fossil fuels.

**Social responsibility:** Sustainability initiatives are supported by the code of conduct. This is based on the UN Global Compact and includes open communication and dialogue. Key values are an important part of the dialogue with both internal and external stakeholders. An internal dialogue about the corporate culture was

initiated in 2012 and Sveaskog will be characterised by customer focus, innovation, simplicity and transparency.

Skills supply issues are in focus for Sveaskog. The average age of employees is relatively high and the challenge is to attract young people and new groups with different demands on development and leadership while competition for labour is intensifying. The objective is to be the most attractive employer and client by 2016.

The forest, in addition to providing raw material for Swedish industry, is also a resource for people in the community and Sveaskog has a variety of stakeholders affected by what happens to forest land. The Group strategy is based on the development of how the forest land is used, and this can benefit hunting, fishing and outdoor activities, but also other commercial activities such as tourism and wind energy.



## Direct economic values

**Sveaskog generates and distributes value to different stakeholders.**  
Value per stakeholder is shown below

SEKm	Stakeholder	2008	2009	2010	2011	2012
<b>Value generated</b>						
Revenues	From customers	8,328	7,044	7,773	7,257	6,619
<b>Value distributed</b>						
Cost of goods and services	To suppliers and contractors	-5,940	-4,505	-5,087	-5,048	-4,850
Employee wages and benefits and social security costs	To employees	-500	-540	-523	-578	-535
Net interest expenses	To loan institutions	-481	-283	-234	-246	-317
Tax	To the Swedish state	-197	-385	-321	-220	-117
Dividend to shareholder *	To the Swedish state through Ministry of Finance	-810	-89	-487	-856	-4,473
Value retained		400	1,242	1,121	309	-3,673

\* Previously the proposed dividend was reported, but since 2010 the dividend paid during the year has been reported.



## Sustainability in Sveaskog

Sveaskog's sustainability initiatives are about balancing operations so that economic, environmental and social objectives are met. Governance of these activities is described in the corporate governance report on pages 44–47. Sustainability work is also governed by a framework of policies and guidelines.



### Economy

Responsibility: To safeguard the long-term value of the forest, to increase the return on forest capital by developing the use of both forest land and wood raw material. To pursue sustainable forestry, to manage and develop the forest holdings, to provide returns to the owner and to be a long-term and trustworthy supplier of wood raw material. To invest in new, environmentally sound and efficiency technologies and to sell land at market prices. As a profitable business to create job opportunities, especially in rural areas.

Prioritised activities 2013: 2013: to work in line with the adopted strategy to be the most profitable forest company (see page 6).



### Environment

Responsibility: To set a good example in the development of sustainable utilisation of the forest's various natural resources, to maintain the forest's long-term production capacity, to limit negative impact on the aquatic environment and protect valuable cultural environments. To preserve and strengthen biodiversity and to develop opportunities for rewarding nature experiences with ecoparks, nature conservation forests and work with general consideration.

Prioritised activities 2013: Measures to reduce carbon dioxide emissions, measures for continued reductions in hauling damage and development of ecosystem services.



### Social responsibility

Responsibility: Responsible business based on the code of conduct and targets for social responsibility, such as zero work-related injuries and a more even gender balance. To offer employees inspiring and responsible work in a good working environment. To contribute to several businesses operating in the forest at the same time, such as hunting, fishing and tourism.

Prioritised activities 2013: Long-term skills supply active working environment efforts, a new leader programme, implement governing values, close and developed co-operation with entrepreneurs.

### Governing documents

- Finance policy
- Insurance policy
- Information policy
- Climate strategy
- Environmental policy
- Personnel policy
- Forest policy
- Code of conduct
- Guidelines for habitat management
- Guidelines for the purchase of timber from outside Sweden
- Guidelines for business travel
- Guidelines for combating offensive discrimination
- Guidelines for salary setting
- Guidelines for purchasing
- Guidelines for gifts, benefits and representation
- Guidelines for forestry contractors in Sveaskog
- Trade union co-operation agreement
- Plan for equality and diversity
- CSR requirements for contractors and suppliers
- FSC forestry standard
- FSC traceability standard
- PEFC traceability standard
- Global Compact

### GRI indicators :

EC1-4	EN 28	PR3-6
EC6-9	EN30	LA1-2
EN3-4	SO2-3	LA4-7
EN11-14	SO5	LA10-14
EN16-18	HR1-7	
EN20	HR9	

*The "growth game" is an educational tool to encourage discussions about values and corporate strategy. The Central Market Area is seen playing here.*



# Ongoing dialogue with large sections of society

## Wide variety of stakeholders

Sveaskog's operations, goals and strategies affect many different stakeholders. The numerous applications for forest, land and water lead to a considerable need for dialogue with many people and organisations in order to understand the various stakeholders but also to set priorities for the business. Stakeholder dialogues are ongoing and provide valuable information and basis for decision. They are also in line with Sveaskog's value of transparency. The aim is to maintain a close dialogue that leads to greater awareness and participation. In this way, potential disputes can be more easily identified. Consultation and dialogue meetings do not always result in consensus, but are characterised by respect for different and conflicting interests.

Dialogues and meetings with external stakeholders are reported in the environment and quality management system. This reporting provides structure for the dialogues and facilitates systematic follow-up of issues. Reported dialogues in 2012 include business development discussions with entrepreneurs, dialogue and co-operation relating to forest and cloven-hoofed game as well as dialogues with neighbours, road associations, etc. The target is to have a dialogue with 2,800 people/year and the result in 2012 was 4,490 (4,188).

## Customer and employee surveys

Customer, supplier, contractor and employee surveys which include questions relating to sustainability are conducted every second year. All surveys except the employee survey were carried out in 2012. Results show that customers, suppliers and contractors expect Sveaskog to work with issues such as business ethics, optimised transport and logistics, the role of forestry in Sweden as well as issues linked to skills supply and working environment. The employee survey conducted in 2011 showed, among other things, that more people than previously were proud to work at Sveaskog and would be glad to recommend others to apply for jobs in the company.

## Materiality assessment

In accordance with GRI's guidelines, Sveaskog has performed a materiality assessment and identified the key issues for the company and its stakeholders from a sustainability perspective. Dialogues are an important source for the materiality assessment and contribute to setting priorities both in the operations and for determining the content of the sustainability report.

Areas assigned the highest priority are profitability, skills supply, working environment and health, business ethics, brand, climate effects and biodiversity.

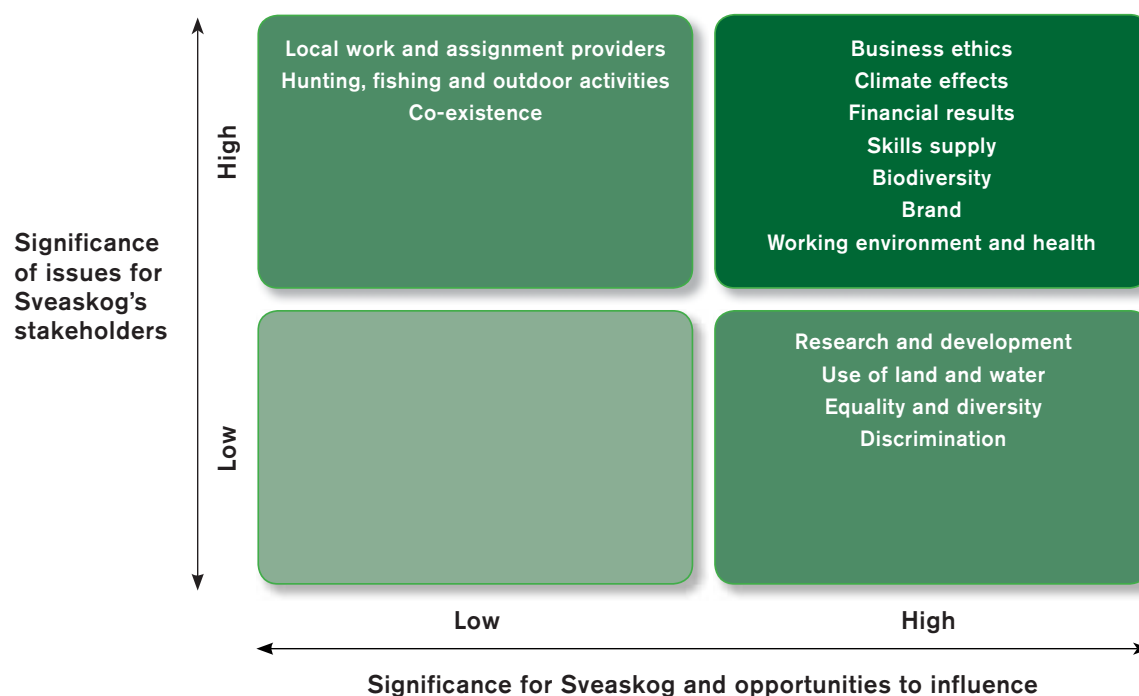
## Stakeholders

Sveaskog has structured stakeholder dialogues which are documented. This overview shows the key issues for the ten principal stakeholders.

	Employees	Owner	Customers	Contractors	Timber suppliers
<b>Issues</b>	Skills development and supply, working environment and health, organisation	Market return, profitability, sustainable business	Product quality, effective logistics, renewable vehicle fuels, technical development, FSC®, Sveaskog's role in the market, reliability, long-term relationships	Developed co-operation, renewable energy, contract/remuneration issues and working environment	Ability to pay, market prices, renewable energy, quality of felling assignments, skills supply, working environment, information about services
<b>What is Sveaskog doing?</b>	Internal training programmes, supports internal mobility, active recruitment, working environment initiatives and develops the organisation.	Profitability targets, corporate governance report, sustainability report	FSC® certification, measures delivery precision, develops new fuels, timber traceability, market prices, code of conduct	Long-term co-operation, gold suppliers, co-operation projects, information and evaluations	Good liquidity, market prices, FSC® planning for felling assignments, develops new fuels, information activities
<b>Dialogue opportunities</b>	Performance reviews, employee survey, manager days, trade union co-operation, workplace meetings.	AGM, board meetings, dialogue with Chairman of the Board	Customer Satisfaction Index, business development discussions	Contractor Satisfaction Index, business development discussions	Supplier Satisfaction Index, FSC® co-operation, forest days



The materiality assessment is an aggregate of the issues that Sveaskog regards as strategically important and the issues that stakeholders regard as most important



The order of the aspects within each of the four fields has no significance.

	Authorities	Tourism companies, hunters, anglers, etc.	Nature conservation organisations	Lending institutions, lenders	Reindeer herders
<b>Issues</b>	Swedish Forestry Act, national environmental objectives	Grants land for leases, lease prices, forest and land for outdoor activities, SVP Forestry Herman Sundqvist's blog*	Biodiversity, nature conservation	Financial targets, stable financial flows, responsible business, new business opportunities	Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – co-existence
<b>What is Sveaskog doing?</b>	Annual audits, business management system, follow-up of goals and key indicators, SVP Forestry Herman Sundqvist's blog*	Leases, investments in recreation areas and ecoparks, roads and signs. SVP Forestry Herman Sundqvist's blog.	Environmental objectives, FSC® membership, nature conservation strategy, SVP Forestry Herman Sundqvist's blog*	Reports financial targets, finance policy, prioritises long-term business relationships and customers with profitability potential	Formalised consultations, better maps, projects to develop land usage
<b>Dialogue opportunities</b>	Consultations regarding ecoparks and inaugurations, annual general meetings, SVP Forestry Herman Sundqvist's blog*	Ecopark inaugurations, hunt leader meetings, consultations, business discussions, SVP Forestry Herman Sundqvist's blog*	Excursions, cooperation, SVP Forestry Herman Sundqvist's blog*	Company presentations, business discussions	Consultations about silvicultural measures, co-operation within Swedish FSC®

\* Sveaskog's head of Forestry Herman Sundqvist's blog started in 2012. It is a discussion forum and provides a natural contact between employees, industry professionals and the forest-interested public.

# Sveaskog a central player in the community

## Intensive debate on the forest as heritage

The forest policy debate made a real impression in the media in 2012. Lack of environmental consideration and toothless forest legislation were some of the things stressed by the critics. During the year Sveaskog sought a dialogue with both critics and politicians in order to give the company's views on these issues.

Criticism of Swedish forestry has been rising in recent years. The forest industry has been accused, among other things, of failing to accept responsibility to balance environmental and production goals. Demands for a more strictly regulated forestry – where environmental consideration is given priority and consideration for how people experience the forest is given more space – are recurrent.

Opinions about forestry from the environmental movement are not unusual, but the intensity and breadth in 2012 meant that a new situation arose. From generally being confined to the trade press and local media, the debate suddenly appeared in the major daily newspapers and on national radio.

A series of articles entitled "Skogen vi ärvde" ("The forest we inherited") by Maciej Zaremba were published in Dagens Nyheter in the spring and gave extra resonance to these views which had been trotted out for many years. Zaremba's articles were later published in book form which led to new publicity. In the autumn the Swedish Radio's P1 channel performed a critical review of forestry sustainability with a total of some 20 features.

Sveaskog's initial response to the series of articles was a discussion paper where everyone was encouraged to react and take into account the longer term perspective. Sveaskog's view is that the forest has a bright future and that today's forestry is conducted with great respect for sustainable development. In this debate Sveaskog was pleased to note the good reputation enjoyed by the company's nature conservation work both in the environmental movement and among politicians around the country. Ecoparks, set-aside land and active habitat management are investments that have given weight to Sveaskog's message.

## Review of forest policy

In parallel with the media debate, a review of future forest policy was conducted in 2012 by the All Party Committee on Environmental Objectives set up by the Swedish government. During the autumn Sveaskog therefore focused on meeting politicians in order to listen, argue and discuss.

The All Party Committee on Environmental Objectives is a parliamentary group with a government mandate to produce a report by June 2013 which will provide guidelines for future forest policy.

## Five issues in focus for future forest policy:

- Forestry must not lead to less biodiversity
- Forestry must be adapted to future climate change
- Greater attention to people's experience of the forest
- Tougher sanctions against poor forestry – such as serious hauling damage
- The role of the forest and forestry in a bio-based economy



*Sveaskog's Head of Forestry Herman Sundqvist debates frequently in his blog – there were some 50 different posts in 2012. The blog is a key dialogue tool.*

Sveaskog is following the committee's work closely.

During the political week in Almedalen in summer 2012, Sveaskog organised round table discussions with researchers and representatives from the political parties with the theme "The sustainability of Swedish forestry". These contacts were followed up in the autumn with a handful of forest excursions with MPs from Norrbotten and Västerbotten, individual party groups, as well the Parliamentary Committee on Environment and Agriculture where Sveaskog took note of the views and concerns about Swedish forestry. This enabled identification of the issues and forest development that worry politicians and how they would like forestry to be improved. Discussions were held and an exchange of knowledge took place.

In addition to forest excursions, Sveaskog also took part in debates about Swedish forest policy during the autumn. One discussion forum which soon became a natural contact point among employees, industry people and the forest-interested public is Sveaskog's head of forestry Herman Sundqvist's blog which he started in spring 2012. There were some 50 posts during the year related to forest policy and forestry.

In 2013 a "debate guarantee" has been introduced where Sveaskog says that if anyone wishes to arrange a debate about forestry, forest policy or nature conservation, Sveaskog will take part.

"We want to be the leading forest company and this is one way to live up that goal," says Herman Sundqvist, SVP Forestry at Sveaskog.

In spring 2013 the work of the All Party Committee on Environmental Objectives started an intensive phase and on several occasions Sveaskog has taken part in public hearings as well as in more informal contexts discussed and given its views on how production objectives and environmental objectives can continue to guide sustainable forestry.

### Collaboration with contractors and suppliers

Collaboration with local contractors and suppliers is important for the development of Sveaskog's operations. Forestry creates jobs for the company's own work teams, and for contractors within felling, silviculture, transport and road maintenance. The indirect effect on employment is significant. A study from 2008 shows that Sveaskog's operations in Norrbotten then generated 180 FTEs which in turn contributed to more than 2,600 job opportunities in the county (source: Incedo Business Consulting 2008). In 2012, almost 900 (700) contractor companies were hired for planning, felling, roads, silviculture and planting.

Sveaskog's code of conduct guides relationships with contractors and suppliers and is based on high integrity, professionalism, respect and good ethics. In order to ensure that contractors meet the basic requirements of being serious and competent, a check list is used in the procurement process which requires the contractor to comply with laws and agreements, conduct working environment initiatives and have the right machinery. Sveaskog also works with supplier assessments and has governing documents for compliance with the Global Compact's principles on human rights. The Contractor Satisfaction Index and business development reviews are key tools in co-operation with contractors.

One notification of violation of the code of conduct was made in

### An active role in the debate

- Arranged forest excursions with MPs
- Took part in debates on forest policy
- Arranged round table discussions on sustainable forestry in Almedalen
- Actively highlighted forest policy in external lectures and presentations
- Started a blog with a focus on forest policy
- Lobbied politicians in parliament and conducted a dialogue with representations in the All Party Committee on Environmental Objectives
- Introduced a debate guarantee to provide a counterpart to criticism of forestry
- Articles and PR work on Sveaskog's nature conservation work.

2012. It related to felling of a purchased stand. The case was investigated and is now closed.

In 2012 Sveaskog took a step towards a deeper and profitable co-operation with contractors within felling and silviculture. The aim is to create a partnership that benefits both Sveaskog and the contractor, as a more efficient way of working, to realise potential savings, improve quality and have efficient processes. The idea is to develop together with the contractor through a partnership agreement based on deep trust, transparency, shared profitability and demanding challenges. The first partnership agreements were concluded in the autumn and they are called "Gold Contractors".



*Sveaskog has an ongoing dialogue with different stakeholders. Seen here is Karin Fällman talking about Sveaskog's forestry at an excursion for some 100 MEPs in the Stockholm area.*



## Compliance with the Global Compact principles for human rights and working conditions

### Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005 and thereby assumes a clear stance on issues related to human rights, social conditions, environmental responsibility, freedom of association and anti-corruption. Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for how multinational enterprises should conduct responsible business. More information about Global Compact is available at [www.globalcompact.org](http://www.globalcompact.org).

Sveaskog works to substantiate how these principles are reflected in the business. Each year the "Communication on Progress" (CoP) report is submitted to Global Compact presenting the GRI indicators associated with the principles.

### Supplier respect for human rights

Sveaskog strives to exert a positive influence on the industry by setting requirements for its supply chain. The code of conduct, general CSR requirements (which are linked to Global Compact) and detailed requirements for contractors and leaseholders govern assessments. Information about any deviations is reported in the environmental and quality management systems. (HR2).

### Corruption risks

Sveaskog works with internal control, the code of conduct, guidelines and requirements for business partners and the opportunity to report violations anonymously. In response to changes in bribery legislation, the Board has discussed the company's guidelines and control systems to ensure compliance with this legislation. The Latvian subsidiary, Sveaskog Baltfor SIA, has 33 employees and sales are one per cent of the Group's. The company was reviewed by auditors and no observations were made. The company purchases timber in Russia and the Baltic countries. Training in the code of conduct is continuously provided to all employees. These operations may have a negative impact since Russia is ranked as a country with high corruption. (HR1). Random checks were performed at a supplier in 2012. (SO2)

### Discrimination

See page 28. (HR4)

### Freedom of association and right to collective bargaining

Within Sveaskog there are no obstacles to joining a trade union or collective bargaining agreements. There is, however, no collective bargaining agreement in Sveaskog Baltfor SIA. Through the CSR requirements, suppliers are also covered on these issues. (HR5)

### Child labour

Sveaskog has employees aged 15–18 years for planting work in Sweden. The Swedish Work Environment Authority's statute on the work of minors regulates the work minors are allowed to perform. Managers responsible for the working environment and trade union representatives responsible for occupational safety monitor compliance with laws and statutes. Otherwise, there is no risk of child labour in Sveaskog's operations and in this matter the CSR requirements also apply to suppliers. Sveaskog Baltfor SIA has no employees under 18 years of age. (HR6)

### Forced and compulsory labour

The risk of forced and compulsory labour in Sveaskog's operations is low because operations are mainly pursued in Sweden and fall under Swedish labour laws. With the CSR requirements, suppliers are also covered by this. (HR7)



*"In new ways" is a theme and approach discussed at the management meetings in 2012. Seen here is chief accountant Anders Jakobsson in discussion with a colleague during a conference.*

### Rights of indigenous peoples

The Sami have interests in Sveaskog's lands. Parts of the company's lands are reindeer grazing lands. The lichen, which is important for winter grazing, can, among other flora, be affected by forestry. Sveaskog recognises the right of reindeer herders to graze their animals.

Laws and regulations govern consultation with reindeer herders and are applied throughout the entire reindeer herding zone. Sveaskog follows the FSC®'s principles with specific commitments concerning relationships with local communities and regularly consults with the Sami villages affected by forestry operations. As far as possible, Sveaskog tries to find solutions that satisfy both parties' demands for land use and co-operates with the National Union of the Swedish Sami People (SSR). Incidents are reported either in the environmental and quality management system or as a violation of Sveaskog's code of conduct. In 2012 one incident on application of FSC's forestry standard was reported and processed.

### Number of consultations with reindeer industry representatives

Year	Number	Time in working days
2012	65*	235
2011	54*	220
2010	63*	210
2009	35*	200
2008	35*	200
2007	100	400
2006	100	380

\* Consultations with recorded minutes undertaken in the field/offices. Previously meetings where no minutes were kept were also counted.

## Co-operation 2012



### Co-operation with contractors\*

Number	2012
Forestry and planting	290
Felling and planning	317
Roadwork	270
Total	877

\* Contractor teams with annual invoices of SEK >50,000.

## About FSC® 100% and FSC® Mix Credit

The raw material Sveaskog sells may not come from controversial sources. Use of traceability certificates provides information about where the timber comes from. Forest products are divided into two categories: FSC® 100% which means that all wood raw material in the product comes from FSC®-certified forests and FSC® Mix Credit which means that most of the product's wood raw material comes from FSC®-certified forests and the rest of the raw material comes from controlled sources, controlled wood. FSC® Controlled Wood is non-certified wood raw material that is mixed with FSC®-certified raw material in FSC® Mix Credit products. The Controlled wood stamp provides assurance that the non-certified timber for example is not illegally felled and does not come from controversial sources.

## Sveaskog's certificates

- ISO 14001
- FSC® forestry certificate own forest
- FSC® forestry certificate group
- FSC® traceability certificate
- PEFC traceability certificate
- PEFC forestry certificate group
- AEOF customs simplification/security and protection

*Martin Åkerlund is a forest field assistant at Sveaskog based in Skellefteå. He spends most of his working hours in the forest where he measures, records and marks trees.*



### Breakdown of products sold by Sveaskog as certified 2012

During the year Sveaskog has changed over from reporting in the Transfer system to the Credit system (1 March 2012) also called Certikonto, for more information see Certikonto se [www.sdc.se](http://www.sdc.se)

### 2012 purchased from sources

Origin	FSC® 100%	FSC® Mix Credit	FSC® Controlled Wood
Imported timber			100%
Own forests	14%	86%	
Field purchases Sweden	3%	15%	82%
Central purchases excl. PEFC	0%	17%	83%
Timber from own certified terminals		57%	43%
Share of total/Certikonto	9%	55%	36%

Biofuel products are not included in this report.

FSC® is an independent international organisation for certification of responsible forestry. The aim is socially beneficial, environmentally appropriate and economically viable responsible forest management. FSC®'s logotype on products represents independent certification of forestry and product manufacturing according to FSC®'s rules.





# Balance between production, environment and conservation

## Regard for biodiversity

All forestry operations, transports and other activities related to forestry can affect biodiversity. Felling changes the landscape and can harm biodiversity. Sveaskog's nature conservation ambitions include exemptions for sensitive biotopes and other forests with high natural values. When felling, we exercise consideration for nature by leaving sensitive biotopes, edge zones, tree groups and individual trees untouched. Cleaning can change light conditions by streams, for example, and therefore affect the micro climate. Soil scarification and planting change species composition, which also results from ditch maintenance. Planning of ditch maintenance includes a special nature conservation assessment when we also review opportunities to restore habitats by filling in some ditch sections.

Forest roads can affect biodiversity by culverts which obstruct migration of fish and disturb other aquatic species. Planning is based on natural conditions and takes such impact into account.

## Habitat management

A large part of biodiversity is adapted to natural disturbances such as

fire, forest grazing, flooding, dammed wetlands and storm felling. It is not the disturbances themselves that are most important, but the habitats they create. Effective conservation must permit and emulate natural disturbances on a large scale within designated forests to preserve the diversity associated with these habitats.

For species that are dependent on spruce and beech, long undisturbed periods are the key to success. These species can tolerate darkness and in the spruce and beech forests there is little or no need for habitat management. Over time, light-demanding species such as willow, aspen, oak, birch and pine are clear losers in pristine forests. When the spruce and beech grow the forests become dark and cold, the light-demanding tree species disappear in the long term due to the lack of light.

To conduct habitat management in forests with light-demanding tree species is of great importance for preserving biodiversity. Habitat management is used as a collective term for a variety of management practices designed to maintain or develop the biodiversity of the forest.

## Sveaskog's initiatives to protect and develop natural values

### 20% nature conservation land below the montane forest region

Definition	Status 31 Dec 2012	Size	Third party measurement	Co-operation
36 ecoparks	32 ecoparks have been inaugurated out of 36 planned. Silvicultural agreement with the Swedish Forest Agency in place for 28 of these ecoparks.	80,000 ha of 145,000*	Swedish Forest Agency, County Administrative Board	50-year agreement with the Swedish Forest Agency, WWF (Effect 20)
Nature conservation forests	Reported at <a href="http://www.sveaskog.se">www.sveaskog.se</a>	300,000 ha	Swedish Forest Agency, County Administrative Board	WWF (Effect 20), Swedish Forest Agency, County Administrative Board and Swedish Society for Nature Conservation (deciduous forests)
Nature consideration when felling	Control self assessments	220,000 ha	Swedish Forest Agency follow-up, FSC® audit	Method Development with Swedish Forest Agency

### Nature conservation in montane forest region

Definition	Status 31 Dec 2012	Size	Third party measurement	Co-operation
Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC®.	Nature reserves and ecoparks formed and quality assurance of nature conservation forest is underway.	c 100,000 ha	Swedish Forest Agency, County Administrative Board, FSC® audit	Dialogue with Swedish Forest Agency

### Restoration

Definition	Status 31 Dec 2012	Size	Third party measurement	Co-operation
Restoration of wetlands and aquatic landscapes	The objective of 100 restored wetlands has been achieved. Five aquatic landscapes identified. Work on action plans underway.	–	–	Swedish Wetlands Foundation, Swedish Ornithological Society

\* Additional 30,000 of ecopark located in montane forest region.



## 20% nature conservation areas

Nature protection in the form of formally protected areas, such as nature reserves and landowners' own voluntary set-asides, are key parts of sustainable forestry. Sveaskog's environmental targets include managing 20% of productive forest land below the montane forest region as nature conservation areas. This corresponds to 600,000 hectares of Sveaskog's three million hectares of forest. Three conservation tools contribute in different ways to realising this goal: ecoparks, set-aside nature conservation forests and consideration for nature remaining in production forests.

The ecoparks comprise approximately 145,000 hectares below the montane forest region and include both set-aside areas and forests with production targets. The ecoparks contribute to meeting the goals with some 80,000 hectares of conservation area.

The nature conservation forests contribute a further 300,000 hectares. Most of the nature conservation forests in the northern part of the country are left to develop freely. Further south major habitat management is conducted in order to restore or strengthen natural values.

Consideration for nature in production forests contributes about 220,000 hectares of conservation area. It consists of those trees/tree groups, edge zones and sensitive biotopes that remain in the forest after forestry activities. Sveaskog's forest holdings, including ecoparks and nature conservation forests, can be seen on the map on [www.sveaskog.se](http://www.sveaskog.se).

## International perspective

Sveaskog's total holdings of forest land according to the FAO definition (areas which have the potential to host trees with a combined crown cover of more than 10% and a minimum height of five metres) is about 3.6 million hectares. Sveaskog conducts forestry operations on about 2.5 million hectares, corresponding to 69%.

## Water conservation projects

Sveaskog conducts several water conservation projects. In 2011 an initiative was taken at the landscape level, where in a first stage five aquatic landscapes were identified. An inventory was made of 500 kilometres of watercourses in order to create vibrant and biologically rich wetlands. The work is part of an effort to realise the intentions of the EU Water Framework Directive and national environmental objectives, including Flourishing Lakes and Streams and Thriving Wetlands. An aquatic landscape is defined as a catchment area (forest landscape) with high conservation ambitions for aquatic environments. In an aquatic landscape Sveaskog intends to be responsible for water by preserving and enhancing the value of water and restoring damaged areas. In 2012, inventories continued and work on action plans began. These plans contain descriptions of watercourses, blue target classification and suggestions for measures to improve the watercourses. Examples of measures are the removal of obstacles to migration, replacing stones removed from the watercourse to facilitate rafting, and the introduction of dead wood.

## Follow up of reported non-conformances

Guidelines and instructions are developed continuously in order to ensure that Sveaskog meets undertakings and certifications. Conformance is checked by external and internal audits, external opinions and random samples of the self-assessments that are obligatory after each measure has been carried out. All reports of deficiencies are registered in the environmental and quality management system and result in remedial and/or preventive measures. Deficiencies reported relate for example to demarcation, the quality of thinning, hauling damage, inadequate planning which was



*Pilgrim Falcon in Halle-Hunneberg Ecopark, Västergötland.*

compensated by a machine team, inadequate planning which was corrected before the measure was implemented, inadequate management of sensitive biotopes, felled natural value trees, cultural environments/ancient monuments, stump height, thinned areas and too few high stumps.

The certification company Bureau Veritas performed the annual external audits for FSC® and ISO 14001.

The 2012 audit of the FSC® certificate generated two minor non-conformances. These related to failures in information gathering from Sami villages when setting up a wind power facility and failures in conjunction with felling of a couple of stands due to inadequate/incorrect map data (relates to ISO non-conformance below).

The ISO 14001 audit generated seven non-conformances of which one was serious relating to failures in map data and internal communication in conjunction with the planning and execution of forestry activities. The minor non-conformances were mainly concerned with the company's guidelines not being followed or a lack of description of how something should be done. The audits also generated a number of negative observations (situations where there is a risk that non-conformance may occur). These will be rectified.

The audit for the FSC® and PEFC traceability certificates generated two non-conformances. Both concerned failures in the administration work for certified and uncertified timber. The 2012 audit of the FSC® and PEFC group certificate for Sveaskog's timber suppliers will be completed in spring 2013.

## Historical ecological debts

There are contaminated areas after earlier forest industry operations, mining operations and various leases. Sveaskog has an environmental responsibility for some of these areas.

Svenska Skogsplanter has a number of nurseries with a serious contamination situation due to historical use of pesticides. Some of these are in need of environmental measures.

During 2012 a plant dump was decontaminated at Svartingstorps nursery in Hässleholm municipality. Work on prevention of the spread of pollutants to a water catchment in the municipality of Umeå is underway at Piparböle nursery. Svenska Skogsplanter's work with contaminated areas is taking place in accordance with the company's strategy which is that nurseries where there is a potential environmental risk and decommissioned nurseries that are of interest for other applications are given priority for further examination.



## Environmental data

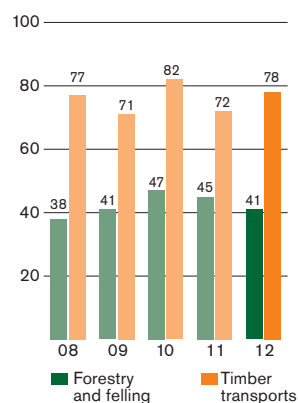
	2008	2009	2010	2011	2012
<b>Production</b>					
All deliveries, 1,000 m³sub	12,451	10,834	11,268	10,605	<b>10,721</b>
Deliveries from own forests, 1,000 m³sub	5,496	5,629	5,694	5,704	<b>5,962</b>
Biofuel deliveries, 1,000 m³sub	946	1,339	1,461	1,498	<b>1,479</b>
Biofuel deliveries, TWh	1.9*	2.7*	2.9*	3.0*	<b>3.0</b>
<b>Energy consumption</b>					
Non-renewable fuels, TJ	1,559**	1,602	1,895	1,750	<b>1,781</b>
Indirect energy consumption, MWh	–	14,472	10,551	10,143	<b>9,509</b>
<b>Emissions to air</b>					
Fossil CO <sub>2</sub> , ktonnes	115**	123	145	133	<b>134</b>
Of which direct emissions, ktonnes	–	19	20	18.5	<b>14</b>
Of which indirect emissions, ktonnes	–	104	125	114.5	<b>120</b>
NO <sub>x</sub> , tonnes	1,404**	1,339	1,677	1,541	<b>1,516</b>
SO <sub>x</sub> , tonnes	–	–	334	217	<b>262</b>
<b>Land</b>					
Total land area, million ha	4.3	4.3	4.2	4.1	<b>4.1</b>
Of which productive forest land, million ha	3.3	3.3	3.3	3.1	<b>3.1</b>
Proportion of unfelled total growth, % ***	45	41	44	44	<b>39</b>

\* 2.0 is used as the conversion factor between volume in m³sub and energy content in MWh.

\*\* Relates solely to forestry, felling and timber transports.

\*\*\* Includes uncultivated forests.

**Largest fossil CO<sub>2</sub> emissions (thousand tonnes) Sveaskog**



Total emissions of carbon dioxide from Sveaskog in 2012 amounted to 134,000 tonnes, on a par with 2011. Timber transports accounted for most of emissions, 58%.

Source: Analysis by Skogforsk and Sveaskog 2013.



## Ecological pearls in the forest landscape

Ecoparks are ecological pearls in the Swedish countryside. They are vast forest landscapes where endangered species are given conditions in which to flourish. During 2012 Sveaskog inaugurated a further three ecoparks, Forsmark in northern Uppland, Tranuberg in northwest Dalarna and Tjadnes-Nimte in Norrbotten.

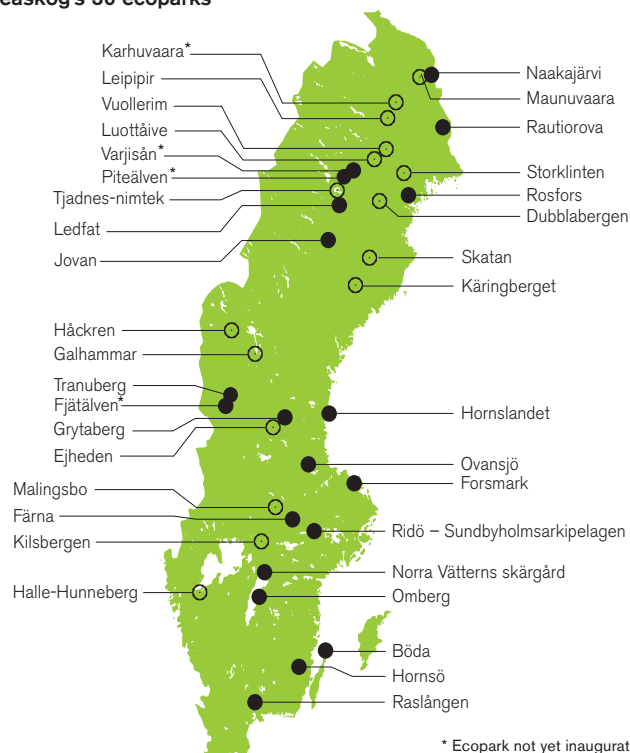
Sveaskog sets aside 20% of its total forest lands for nature conservation. Ecoparks are an important part of this and cover some 175,000 hectares. Sveaskog has decided on 36 ecoparks across the country and 32 of these had been inaugurated by 2012.

For a long time Swedish nature protection meant only national parks and nature reserves. At the end of the 20th century biotope protection and conservation agreements were added. Sveaskog introduced ecoparks in 2000. An ecopark is a tool for nature conservation work at landscape level and is characterised among other things by its size – a vast forest landscape of at least 1,000 hectares of forest. The average size is 5,000 hectares or 50 square kilometres.

In an ecopark ecological values take priority over economic values. At least 50% of the forest land in an ecopark is used for nature conservation. In the Forsmark ecopark, one of those inaugurated in 2012, a full 74% is set aside.

Forsmark already has high natural values thanks to the diverse deciduous forests and the chalky soil. Habitat management is practised so that even more species can flourish – for example old grazing lands are being exposed to create more meadows, ditches are being filled to encourage alder and animal species that like swampy conditions. Many birds are dependent on dead wood, so high stumps and dead trees are left in the forest. In some places the forest is burnt, called conservation burning. The aim is that over half the forest will be deciduous in the future.

### Sveaskog's 36 ecoparks



An ecopark often contains not just nature's riches but also plenty of cultural landmarks. For example from the sixteenth to the end of the nineteenth centuries there was a successful iron industry in Forsmark. Among the remains are an old rafting channel, a well-preserved mill and evidence of crofts and farming.

For Forsmark, as for the other ecoparks, Sveaskog has signed a contract with the Swedish Forest Agency where the company commits to conserve, enhance and restore irreplaceable natural assets. The agreement covers 50 years.

*Per-Olof Wedin, CEO of Sveaskog, and Sven Kihlström, Swedish Forest Agency in Uppsala, shake hands and are pleased with the agreement which will conserve, enhance and restore irreplaceable natural assets in the Forsmark ecopark. The agreement applies for 50 years from the inauguration on 14 June 2012*





# A growing forest counteracts climate change

## The importance of the forest as a carbon sink

The growing forest and use of wood play a significant role in counteracting climate change. When renewable wood raw material is used it often replaces finite and fossil resources, for example in building materials, packaging and energy. Research and development means that a growing number of products are based on wood raw material. This applies for example to car interiors, clothes, medicines and food.

The growing forest binds carbon dioxide through photosynthesis. In this process carbohydrates are formed with the aid of carbon dioxide, water and sunlight. When the forest binds carbon dioxide it functions as a carbon sink. The forest can be a carbon sink to a varying extent during its life cycle, during different times of day and depending on where in the country the forest is growing. But taken overall, the forest's ability to sequester carbon dioxide is positive for the climate

## Increased growth in the forest provides greatest climate benefit

Sveaskog's climate strategy is based on the ability to do several things simultaneously which help to counteract climate change. By managing the forest using the same sustainable methods as today, but doing more, the effects can be increased. As a result, the forest will bind more carbon dioxide and Sveaskog will produce more renewable wood raw material. Forestry is also adapted for undesirable future climate effects such as storms and warmer weather. Sveaskog contributes to society's changeover to renewable energy systems, primarily by developing utilisation of forest-based biofuel and by contributing to the development of forest-based fuel and wind power.

## Climate impact and emissions

Sveaskog's target is to reduce own emissions by at least 30% by

2015 compared with 2008. Activities to reduce own emissions are primarily carried out within logistics and felling processes where the largest emissions are found.

Sveaskog's carbon footprint in 2012 was at the same level as the previous year at 134,000 tonnes (133,000) of carbon dioxide. Timber transports accounted for 58% of Sveaskog's carbon dioxide emissions in 2012. More efficient logistics to reduce the number of transports and the use of renewable fuel are important areas to reduce emissions and also reduce costs.

## Investments and activities

Sveaskog assesses that emissions and therefore climate impact can be reduced by 10% in a few years through improved transport planning, more effective timber exchanges, developed rail transport and timber vehicles and training in effective and fuel-efficient driving of lorries.

One key for reduced emissions is increased use of renewable fuel. During the year the trial using 100% rape methyl ester (RME) as a fuel in a number of forest machines was increased from seven to 20 units. This corresponds to about 300,000 litres of fuel in an annual consumption of some 800,000 litres for these 20 machines. However, it is still difficult to run on RME in freezing conditions. Some 400 people, both employees and contractors, have participated in RECO, a course on efficient driving.

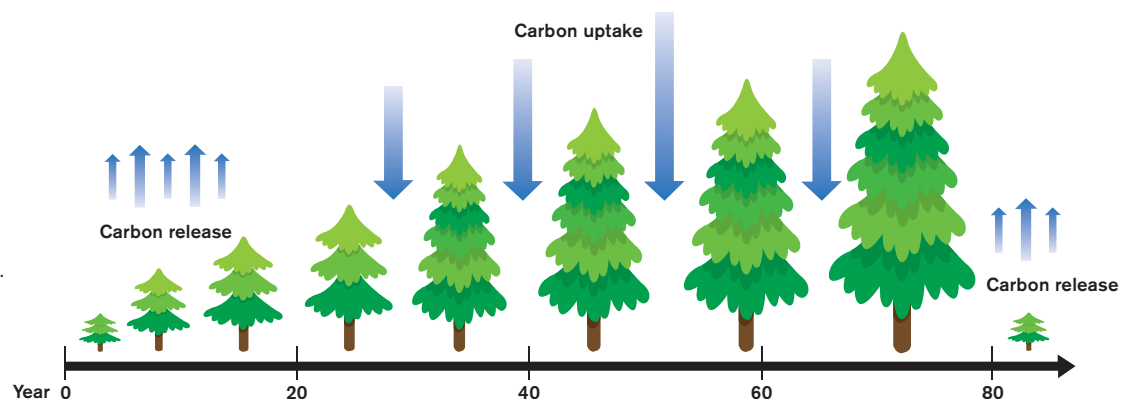
In Piteå, Sveaskog runs one truck to Smurfit Kappa's paper mill on Bio-DME, a new generation of vehicle fuel made from biological residues from the paper mill.

Skellefteå Kraft is the group's electricity supplier and supplies only eco-electricity from wind or hydro power. The Sveaskog Group's total annual electricity consumption is in the order of 9.5 GWh. Sveaskog is working to reduce internal travel by using video, data and telephone conferences. The use of Lync as a meeting place is now

## The forest and its climate potential

### Swedish forests bind carbon dioxide

The forest binds most carbon dioxide when growth is greatest, i.e. when it is young and middle-aged. One cubic metre of forest binds on average just over one tonne of carbon dioxide per year. Since the Swedish forests grow by a total of 110 million cubic metres a year, this means that they can bind up to 140 million tonnes of carbon dioxide. On balance the Swedish forests, including products made from wood raw materials, help to reduce the amount of carbon dioxide in the atmosphere by 60 million tonnes per year. This is equivalent to Sweden's total carbon dioxide emissions from fossil sources.





established. Lync enables chat, audio and video conferences (using a computer) as well as virtual meeting rooms where documents and programmes can be shared between users.

All Sveaskog's offices took part in the World Wide Fund for Nature's (WWF) Earth Hour climate manifestation which involves everyone turning out the lights for one specific hour on one day

## Climate strategy in brief

- Increased forest growth within framework of sustainable forestry
- Increased carbon dioxide sequestration through increased forest growth
- Preparedness for climate change by making adjustments in forest management
- Doubling of biofuel deliveries to 4 TWh
- Expansion of wind power to 4–5 TWh on Sveaskog's land within ten years.
- Reduced own emissions of carbon dioxide from fossil fuels by at least 30% by 2015 compared with 2008.

## Sveaskog's carbon footprint (all figures in tonnes of carbon dioxide/year)

### Carbon footprint – a definition

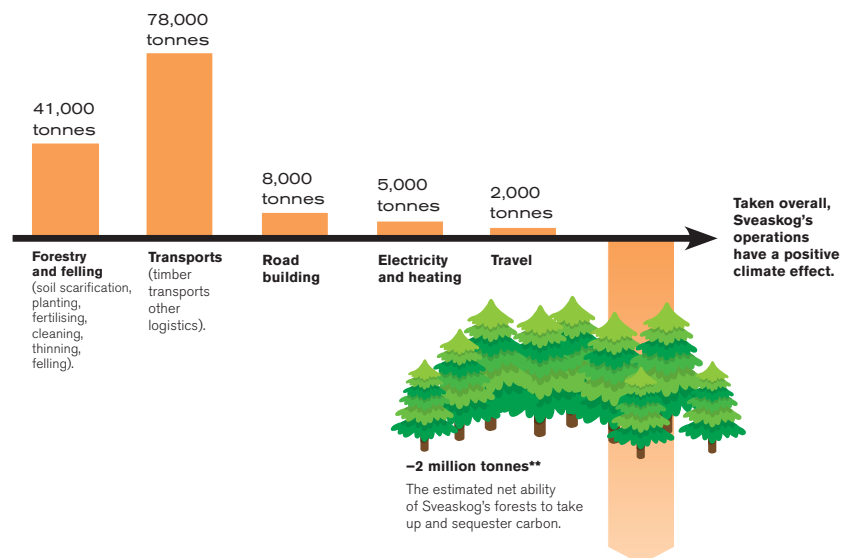
The carbon footprint is defined as a measure of emissions of carbon dioxide that occur as a result of one or more activities in operations.

The carbon footprint includes emissions from both direct and indirect use.

Direct\* emissions come from machinery and vehicles owned or leased by Sveaskog and the heating of nurseries. Indirect emissions come from operations carried out by contractors within transport, harvesting, silviculture and road building. This also includes business travel by bus, plane, train, rental and private cars, and emissions from energy production of the electricity purchased. The indirect carbon dioxide emissions accounted for most, 89%, of the total carbon emissions in 2012.

\* The breakdown of direct and indirect emissions is in accordance with GRI guidelines.

\*\* Calculated after the results of the study on the role of forests in climate work, 2008, by the Swedish University of Agricultural Sciences SLU and GEOpartner AG.



# A customer-oriented organisation with delegated responsibility

## Management by objectives and values

In 2012 Sveaskog implemented a more customer-oriented organisation based on the principles of decentralised profit responsibility, clearer decision-making structures, increased customer orientation, more efficient collaboration and resource optimisation, as well as taking advantage of the strength of being one company, one Sveaskog. A new vision, common goals and strategies as well as new governing values were developed and adopted. With this support, Sveaskog will move from micro-management to management by objectives and values. In this way, the competence and commitment of all employees can be utilised. As a foundation are the keywords customer focus, innovation, simplicity and transparency, and the year began with work to establish the governing values. The code of conduct stipulates how employees and the organisation shall behave in relation to each other, to customers, suppliers, contractors and other stakeholders. The relationships should be characterised by high integrity, professionalism, respect and good ethics.

## Challenges in skills supply

Sveaskog's geographic spread places high demands on a clear, motivating and communicative leadership. Employees have great personal responsibility and tasks requiring initiative, co-operation and sense of responsibility.

Sveaskog's competitiveness is determined by the skills of its employees. The right person must be in the right place with the right tasks. Skills supply is crucial and affects both the skills development of existing employees and new recruitments. With an upcoming generation shift, recruiting new employees is a top priority. In some parts of the country, such as the interior of Norrland, there is fierce competition for labour, mainly from the mining industry. Sveaskog is therefore working to broaden the recruitment base both through industry collaborations and its own efforts. Examples of activities in 2012 include the participation of more than 30 young people in a focus on youth teams, half of whom were women. About 40 students worked at Sveaskog during the summer, which was slightly fewer than in previous years. More than 40 trainees from agricultural college did work experience at the company. For the most part, this was special training forwarders. As in previous years, Sveaskog participated in job fairs, in the programme board for agricultural colleges and in joint industry projects to attract more young people to choose machine operator as a career.

## Diversity strengthens competitiveness

Diversity strengthens Sveaskog's competitiveness and makes the company more attractive as an employer. This applies as much to gender, age and education as to ethnicity and cultural background. Traditionally the forest industry has had mainly male employees. The ambition is an even gender distribution within all parts of the company and to increase the proportion of women who work with

forestry duties and the number of female managers. There is therefore, among other things, a women's network. During 2012 a meeting was arranged where the programme included negotiation techniques and a walk-through with exercises based on Sveaskog's governing values. The proportion of women employees is increasing, but slowly.

Sveaskog's employees, together with their managers, have a responsibility for their professional development. All employees should have the resources and opportunities for skills development and influence on their own and the company's development. Expertise is needed in strategic areas as well as a good balance in the composition of the staff. Internal mobility is important for an increased exchange of skills. In 2012, 79% of vacancies were filled by internal candidates.

## Skills development activities during the year

Employees attended courses in sustainable forestry, driver training RECO, procurement, IT training such as GISS (Geographic information system in Sveaskog), machine instruction, CPR as well as training in Sveaskog's code of conduct.

Sveaskog uses interactive web-based training on the theme of silviculture and cloven-hoofed game for skills development of its own employees, contractors and hunting teams.

The number of training hours per employee and year averaged 41 hours for salaried employees and 37 hours for wage-earners, which corresponds to roughly five days per employee

## Consequences related to the new organisation

In conjunction with the introduction of the new organisation, the number of posts decreased. Five employees were dismissed and 14 accepted early retirement. Redundant employees have been offered career transition under collective agreements through Trygghetsrådet (salaried employees) and Trygghetsfonden TSL (wage-earners).

## Good leadership a social target

Sveaskog's managers have a clear responsibility for the code of conduct, target follow-up and development of subordinates. In order to clarify leadership and obtain better tools for management and follow-up "Good leadership" is a social target. This is measured every other year in the employee survey and compiled in an index. The 2011 index was 72 (70), which represents an improvement and is high compared with many other companies. During 2012 the focus has been on various efforts to support new managers who started in conjunction with the introduction of the new organisation. A new leadership development programme will start in 2013. The programme will provide support to equip and strengthen managers so that each individual leader can successfully translate the new governing values into deeds and actions.





*Hanna Aminder is a distributor at Sveaskog's subsidiary Svenska Skogsplantor. The company produces and sells forest cultivation materials and carries out silvicultural work. The company operates eight nurseries in Sweden.*

#### **Talent programme**

Sveaskog operates an internal talent programme. The purpose is to ensure a future supply of leaders in the company. The programme stretches over one year and includes culture and leadership philosophy at Sveaskog, economic understanding, negotiating skills and communication. The target group is young employees who currently work as specialists or are relatively new managers. The first round with 14 employees finished in December and a new round is planned to start at the end of 2013.

#### **Performance reviews**

Well-conducted performance reviews provide a good base for participation and are often essential for a manager to become aware

of an employee's training requirements and ambitions for further development. All permanent employees should have at least one performance review with their manager every year. In the most recent employee survey, conducted in 2011 (the surveys are conducted every other year) 96% said that they had had a performance review of whom 79% were very satisfied with the quality of the discussion. In conjunction with the performance review, managers report wishes for further development outside their own position, skills development needs which they believe should be co-ordinated and whether there are any risks within skills supply, linked to key people or retirements, for example All managers are offered training in performance reviews and guidelines and a checklist are available as support for such reviews.

### Co-operation with trade unions

Sveaskog has cross-union information groups, known as reference groups. The reference groups have consultations between employee organisations and group management which include information about changes in operations. In the Group, 669 out of a total of 702 employees are covered by a collective agreement (95%).

### Employment and parenthood

Sveaskog tries to ensure that contacts between an employee on parental leave and the company are maintained as far as possible during the leave period. Ahead of parental leave there is a dialogue about each employee's needs and wishes, among other things as regards performance reviews, training and meetings. In order to make things easier for the parents of small children the aim is to reduce the number of business trips and encourage telephone meetings. Technical facilities are in place for this.

### Working environment and health

A good working environment is a key competitive tool for Sveaskog. The working environment must be safe and stimulating and characterised by respect for and confidence in employees.

A formalised and active working environment organisation is in place which bases its activities on the Swedish Work Environment Act as well as central and local collective agreements. The work is followed up in local safety committees within each profit centre, where all managers with personnel responsibility and safety representatives take part, and in a central safety committee where Sveaskog's management and all senior safety representatives take part.

As a complement to working environment legislation and central working environment agreements, the parties within Sveaskog have

drafted a local working environment agreement. The agreement clarifies the forms of co-operation used to promote a good working environment.

All employees have access to the company health service and are offered regular health check-ups. The company health service is an important partner for Sveaskog in its efforts to adjust working duties and provide rehabilitation. In order to promote employees' health there is an exercise subsidy.

### Work-related injuries and accidents

The most common work-related injuries occur in conjunction when moving on foot over terrain through slipping or sprains. Other common accidents take place in conjunction with work with forest machines during service and climbing on and off. Sveaskog reports work-related injuries, i.e. the number of notified work-related injuries that on the reporting date are expected to result in sickness absence. In 2012 work-related injuries amounted to 9.5 (6.0) per 1,000 FTEs. In order to register work-related injuries the forest industry's system, SKIA, is used which allows comparison with others in the industry. Sveaskog has a relatively low level of sickness absence, 2.1% (2.0). Employees being put on the sick-list due to stress does occur. Every manager is therefore tasked with taking stress-preventing measures where this is required according to VIS results.

### Discrimination

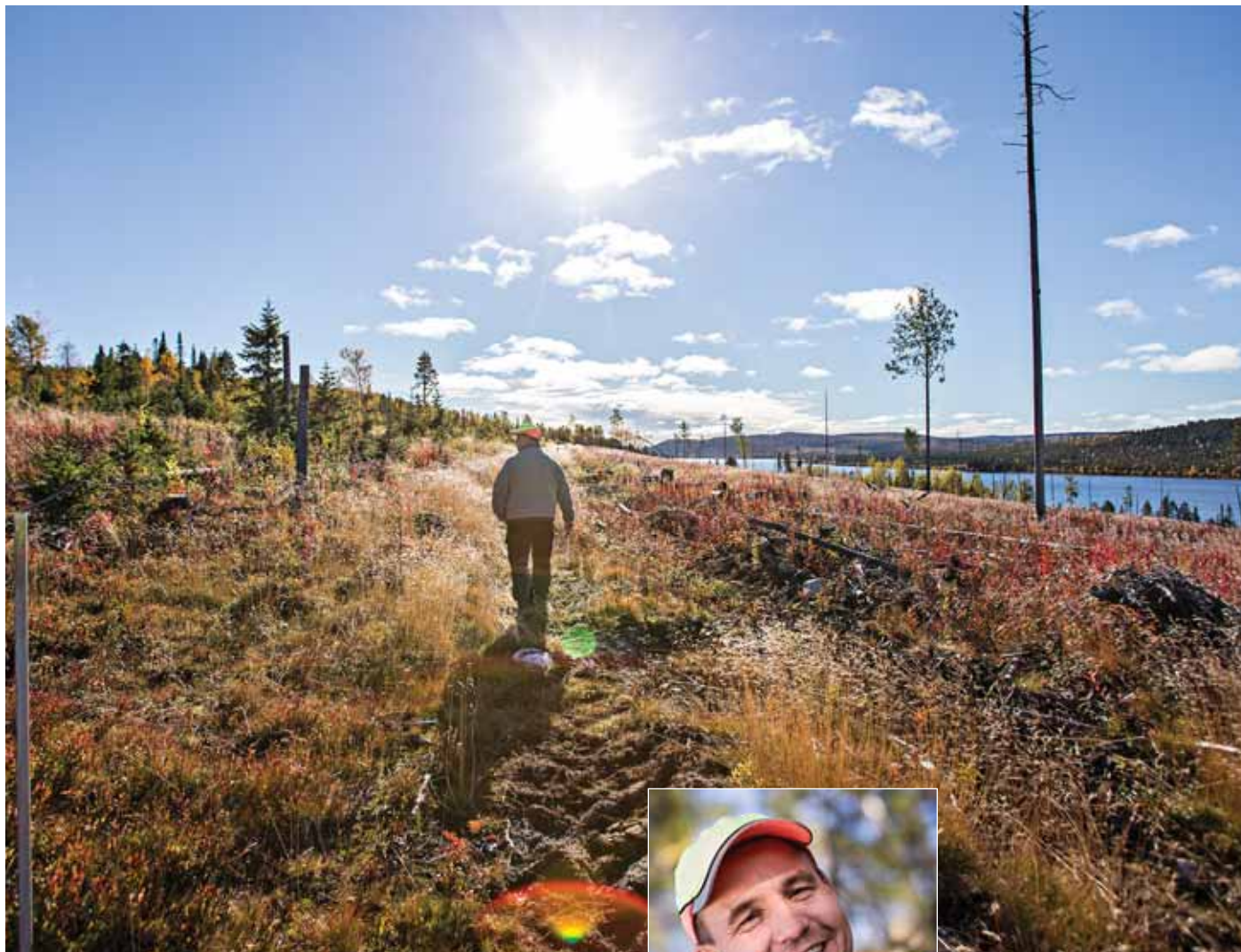
According to the code of conduct, employees shall show each other respect and there must be no discrimination. Employees or stakeholders who consider that Sveaskog has violated the code can report this through a form on the intranet or the website. No cases of offensive discrimination were reported in 2012.

*Long-term, sustainable forestry with high and consistent returns requires careful planning. This also facilitates the business dialogue with the customer. Eva-Lisa Lindvall, VP Planning at Sveaskog (standing) seen here in dialogue with Göran Johansson, Forest Field Assistant and Anette Nordlund, Planning Manager.*





### Continual improvements with intrapreneurship



Greater motivation and participation among employees. Increased efficiency and productivity for the company. In Storuman Sveaskog's new way of operating, intrapreneurship, has produced good results.

Mattias Torger is one of Sveaskog's intrapreneurs. He works as an employed contractor and is production manager for six machine teams with a total of 26 employees. The role of intrapreneur is about clear work management with ingredients such as coaching, management by objectives and close follow-up with employees.

The overall goal of the new working method is to increase Sveaskog's efficiency and productivity and in Storuman this work has shown results. Measurements show that the efficiency has increased by seven to eight per cent and productivity by almost ten percent since the start in 2010.

The key tool of this work has been the instrument for operation monitoring installed in all forest machines. This records when the machine is running and when it is stationary, i.e. it measures time and not volume. This is fairer to all the teams since conditions vary in different places. In some places there is a lower stem volume



*Mattias Torger is an intrapreneur at Sveaskog who is based in Storuman. He has been working as a production manager for six machine teams with 26 employees since 2010.*

resulting in a lower volume per hectare.

Mattias Torger follows up the work at monthly meetings with the machine operators. Here productivity is analysed given the specific conditions for each team. The most important question asked is how the work can be done better and more efficiently – continual improvements.

"It's the operators who have the skills and it is important that we decide together how the work should be organised, what goals we will achieve and how. The involvement of the machine operators is by far the most important thing. If they are not on my side, I have no chance in my role as supervisor," says Mattias Torger.



## Sveaskog's employees

Relates to the entire Sveaskog Group unless otherwise specified. All employees included in the data have employment contracts with the Group. Since the number of contractors hired during the year varies, these are not included.

### Employees (number at year-end)

	2008	2009	2010	2011	2012
Number of wage-earners	337	328	320	314	<b>288</b>
Number of salaried employees	404	393	400	412	<b>414</b>
Number of part-time/ temporary employees	8/741	7/721	8/720	9/726	<b>9/702</b>
Number of full-time/ temporary employees	733/741	714/721	712/720	717/726	<b>693/702</b>
Number of HR managers	107	101	99	102	<b>93</b>
Average age	47	47	48	48	<b>48</b>
Employee turnover, %	6.8	6.6	6.9	6.6	<b>5.9</b>
Proportion recruited internally, %	51	63	72	50	<b>79</b>
Average number of employees* in forest operations	607	587	612	629	<b>597**</b>
Average no. of employees* in staffs	114	118	104	107	<b>118</b>
Average number of employees* in subsidiaries	297	253	248	272	<b>234</b>

\* Total number of hours worked/1,650. \*\* Including Properties business area.

### Breakdown of employees in the group

	2008	2009	2010	2011	2012
Women, %*	19.1	19.4	19.4	20.2	<b>19.9</b>
Men, %*	80.9	80.6	80.6	79.8	<b>80.1</b>
Women/men on the Board, %**	44/56	50/50	67/33	67/33	<b>50/50</b>
Women/men in group management, %	43/57	43/57	33/67	33/67	<b>30/70</b>
Women managers, %	19	21	25	23	<b>27</b>

\* Relates to average number of employees.

\*\* Elected by annual general meeting.

### Number of employees by region (market area):

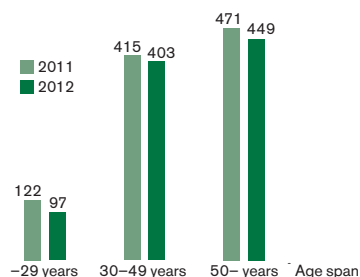
Market area/ region	2012	Market area/ region	2008	2009	2010	2011
North *	<b>239</b>	Norrbottnen	142	140	136	141
		Västerbotten	104	98	98	98
Central *	<b>233</b>	Södra Norrland	71	74	80	79
		Bergslagen	162	161	183	184
South *	<b>139</b>	Götaland	166	153	134	133
Stockholm **	<b>55</b>	Stockholm	71	60	61	61
Latvia/Lithuania	<b>33</b>	Latvia/Lithuania	23	33	26	28
Finland	<b>3</b>	Finland	2	2	2	2

\* Including employees in staffs stationed within the market area.

\*\* Stationed at head office in Stockholm.

### Employees within different age groups

Based on average number of employees



Sveaskog would like to have a more even gender distribution. Part of this effort is the forest network for women in the company. Seen here a networking workshop in which Therese Knutsson took part.



## Employee turnover 2012

The total number of employees who left their employment during the year was 61. Employee turnover was 5.9% (6.6). Details of employee turnover, the breakdown between women and men, per market area and age group are provided on the right.

Employees who left	Proportion	Women/men	By market area		By age group	
61 (48)	42/714* (48/725)	13/48 (8/40)	North	22	<30: 2 (6)	
			Central	19	30–50: 20 (19)	
			South	9	>50: 39 (23)	
			Stockholm	10		
			Baltfor	1		

\* "Personalekonomisk redovisning och kalkylering" by Gröjer/Johanson. Lowest number who started or left (42 started, 61 left) divided by average number of employees during the year. Permanent employees only.

## Health and safety

	2008	2009	2010	2011	2012
Permanent employees (excl. consultants and self-employed)	741	721	720	726	<b>702</b>
Average no. of employees, incl. temporary employees	1,018	958	964	1,008	<b>949</b>
Sickness absence, total, %	2.9	2.4	2.4	2.0	<b>2.1</b>
Sickness absence women, %	3.1	3.1	2.5	2.4	<b>3.4</b>
Sickness absence men, %	2.9	2.2	2.3	1.9	<b>1.8</b>
Long-term sickness absence % of total sickness absence	57.1	60.7	51.2	41.4	<b>36.1</b>
Long-term healthy, %*	44.4	33.3	40.7	42.9	<b>43.3</b>
Notified work-related injuries**/1,000 average employees	4.9	11.5	8.3	6.0	<b>9.5</b>
Notified work-related injuries, according to GRI			7.3	7.2	<b>11.5</b>
Total absentee days due to work-related injuries ***	166	256	66	52	<b>261</b>
Sickness absence due to work-related injuries, %	0.07	0.10	0.03	0.02	<b>0.13</b>

\* Proportion of employees employed for at least three years with no sickness absence during the past two years.

\*\* Work-related injuries: accidents, travel accidents, work-related illnesses which on reporting date are expected to lead to absence. Also includes minor injuries at a first-aid level. Contractor's accidents are not included. Injuries are not reported by region by region, but follow-up takes place in the local safety committees within each market area.

\*\*\* All absentee days (of planned working days) started within two days after the work-related injury.

## Relation between men's and women's salaries

	2008	2009	2010	2011	2012
Number of wage-earner women/men	12/317	11/298	13/292	17/283	<b>16/252</b>
Women's median salary in relation to men's (wage-earners), %	94	92	92	95	<b>91</b>
Number of salaried employees women/men	102/285	99/278	110/277	113/283	<b>113/285</b>
Women's median salary in relation to men's (salaried employees), %	95	96	95	98	<b>99</b>

The above comparison does not take into account that different requirements are made for different positions, but only provides an overall view of the pay structure per agreement area. Salary information and the number of employees relate to permanent employees in Sweden (excluding foreign subsidiaries).

## Further training programmes

Sveaskog offers various further training programmes in order to ensure that employees have the skills they require for the company to be able to meet its strategic targets. This also means that employees are offered personal development and opportunities for life-long learning.

	Yes	No
Internal courses	<b>X</b>	
Financial contribution for external study	<b>X</b>	
Long leave of absence in accordance with current legislation	<b>X</b>	
Pension planning for future retirees	<b>X (partly)</b>	
Further training for those who intend to continue working	<b>X</b>	
Severance pay	<b>X</b>	
Severance pay which takes age and service period into account	<b>X</b>	
Assistance with finding new employment	<b>X</b>	
Assistance in adjustment to non-working life		<b>X</b>

# About the report

### About the sustainability report

Sveaskog describes its sustainability initiatives and reports its performance with regard to economic, environmental and social targets in a sustainability report which is published in March each year and relates to the period 1 January – 31 December. The report is prepared in accordance with Global Reporting Initiative's guidelines (GRI G3) and externally assured. The report thereby adheres to the owner's guidelines for external reporting.

Global Reporting Initiative (GRI) is a network-based organisation working in co-operation with the UN Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. Detailed information about GRI and its regulatory framework is available at [www.globalreporting.org](http://www.globalreporting.org).

Sveaskog complies with GRI's guidelines and reports the results achieved for the reporting period against the background of the undertakings, strategies and sustainability governance. The intention is to present, measure and accept responsibility towards stakeholders, both within and outside the company, for what has been achieved in the work towards sustainable development.

Direct responsibility rests with managers in the line organisation. Co-ordination and follow-up of work with the sustainability objectives and targets adopted by the Board and the CEO take place in a sustainability council chaired by the Deputy CEO. Sveaskog's Board submits the sustainability report and the audit committee prepares work with the report.

The 2012 sustainability report meets GRI G3's application level B+ and is reviewed by the audit firm PricewaterhouseCoopers AB. GRI guidelines are implemented in internal work on sustainability issues and the information within most of the performance data meets GRI's criteria in the so-called indicator protocols.

The Board's signature of the 2012 Sustainability Report and the Auditors' assurance report are provided on page 39.

### Scope of the report

Sveaskog's ambition is to provide a comprehensive report of sustainability initiatives, where both negative and positive development is clearly stated. Sustainability work is based on the code of conduct and the policies and guidelines which govern operations. The undertakings resulting from certification and various memberships, including FSC® and Global Compact, are of major significance for sustainability work. To support the issues that are most significant for Sveaskog's external and internal stakeholders to take into account and report on the work is based on a materiality assessment. All GRI's performance indicators are analysed on the basis of how important they are for the work with sustainable development and what control Sveaskog has over them. Analyses of indicators with comments are provided on pages 33–38. The report includes a total of 33 of GRI's core indicators and 13 additional indicators, which are listed with page references in the GRI index. All GRI's profile disclosures are reported.

### Boundaries

Until the 2008 sustainability report, the report mainly contained information about the forestry operations in Sveaskog Förvaltnings AB. Since then, unless otherwise indicated, the information applies to the whole of Sveaskog, a group which in addition to forestry operations includes the wholly owned subsidiaries Sveaskog Naturupplevelser AB, Svenska Skogsplantor AB and Sveaskog Baltfor SIA. The sawmill group Setra Group AB, which is owned to 50% by Sveaskog AB, is not included in the sustainability report except for the part of the financial result for Setra Group AB which affects Sveaskog Förvaltnings AB's earnings. Sveaskog has a member on Setra Group AB's board and is thus able to influence Setra's sustainability work.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	<b>G3 Profile Disclosures</b> OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
	<b>G3 Management Approach Disclosures</b> OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	
		*Sector supplement in final version					

### GRI's application levels

The guidelines contain three different application levels. They are titled C, B, and A. The reporting criteria found in each level reflects an increasing application or coverage of the GRI Reporting Framework. A "plus" (+) can be added at each level to show that the report is externally assured.

Sveaskog applies level B and the report is reviewed by PwC, which meets application level B+ report.



# GRI G3 index

The below index provides an account of Sveaskog's reporting according to Global Reporting Initiative's guidelines (GRI G3) and where the information can be found. GRI's reporting principles have been used as a basis for the decision as to which areas and indicators should be reported and in order to guarantee the quality of the information. The sustainability report meets GRI G3's application level B+. Each category indicator is introduced with a commentary and analysis.

The indicators reported are marked in bold in the matrices.

P = page

\* = See Sveaskog's Annual Report 2012, in Swedish

W = [www.sveaskog.se/About-Sveaskog](http://www.sveaskog.se/About-Sveaskog)

(C) = Core indicator

(A) = Additional indicator

● Fully reported    ● Partly reported

## Content index

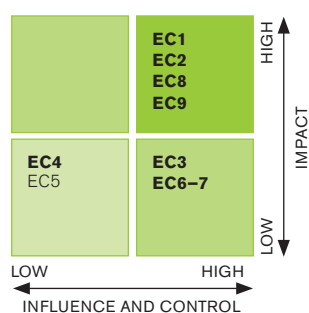
	Where to find information	Reporting extent
<b>1. STRATEGY AND ANALYSIS</b>		
1.1 Statement from the CEO of the organisation about the relevance of sustainability to the organisation and its strategy	P 4–5	●
1.2 Description of key impacts, risks and opportunities	P 10–11, 12, 58–60*	●
<b>2. ORGANISATIONAL PROFILE</b>		
2.1 Name of the organisation	P 1	●
2.2 Primary brands, products and/or services	P 8–9, 12–21*	●
2.3 Operational structure of the organisation including main divisions, operating companies, subsidiaries and joint ventures	P 9, 14*, 16*, 54–55*, 44	●
2.4 Location of the organisation's headquarters	back cover*	●
2.5 Number of countries where the organisation operates, and names of countries with major operations	P 8, 20*	●
2.6 Nature of ownership and legal form	P 6, 44	●
2.7 Markets served	P 8, 12–21*	●
2.8 Scale of the organisation	P 55–56*, 61*	●
2.9 Significant changes during the reporting period regarding size, structure or ownership	P 54–57*, 82–83*	●
2.10 Awards received in the reporting period	none	●
<b>3. REPORT PARAMETERS</b>		
3.1 Reporting period	P 32	●
3.2 Date of the most recent previous report	P 32	●
3.3 Reporting cycle	P 32, S 54*	●
3.4 Contact person for questions regarding the report	back cover*	●
3.5 Processes for defining report content	P 14–15	●
3.6 Boundary of the report	P 14–15, 32	●
3.7 Specific limitations on the scope or boundary of the report	P 14–15, 32–38	●
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability	P 32, respective indicator	●
3.9 Data measurement and calculation principles	P 32, respective indicator	●
3.10 Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	P 32, respective indicator	●
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	P 32, respective indicator	●
3.12 Table identifying the location of the Standard Disclosures in this report	P 33–38	●
3.13 Policy and current practice with regard to external assurance for the report	P 32	●
<b>4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>		
4.1 Governance structure for the organisation	P 44–47	●
4.2 The Chairman of the Board's role in the organisation	P 44–47, 48	●
4.3 Independent and/or non-executive board members	P 44–48	●
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	P 14–15, 44–47	●
4.5 Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)	P 44–47, 77–78*	●
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	**	●

\*\* There are no specific routines or processes to avoid conflicts of interest, but the Swedish Companies Act applies.

		Where to find information	Reporting extent
4.7	Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	P 44–47, W – Owner policy	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	P 12–13, 17, 32	●
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	P 5–6, 12–13, 18–32, 39	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	P 44–47	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	P 18, 20–21	●
4.12	Externally developed economic, environmental, and social characters, principles, or other initiatives to which the organisation subscribes or endorses	P 12–13, 18, 20–21	●
4.13	Memberships in associations and/or national/international advocacy organisation	**	●
4.14	List of stakeholder groups engaged by the organisation	P 14–15	●
4.15	Basis for identification and selection of stakeholders with whom to engage	P 14–15	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P 14–17	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	P 14–17	●

\*\*Sveaskog is a member of several industry organisations. The Forestry Research Institute of Sweden, Forest Stewardship Council, FN Global Compact, Eustafor, AEIOM, Svensk Vind, SLA, Forest Based Sector Technology Platform.

## ECONOMIC PERFORMANCE INDICATORS – Economic impact



### HIGH IMPACT – HIGH INFLUENCE

For Sveaskog it is of major importance that the company is profitable, is able to issue a dividend, to pay tax and to be a good and secure employer (EC1). Climate change represents risks and opportunities. Over time, demand is expected to increase for renewable fuels from forest biomass, as well as biofuels. Wood as a building material is a good choice from a climate perspective since it continues to store carbon dioxide. Increased growth in the forest provides more wood raw material, but also increases carbon dioxide sequestration. In a long-term perspective Sveaskog therefore sees major business opportunities for wood raw material where climate change is part of the equation. Risks associated with changing weather and temperature conditions include more frequent storms and less precipitation resulting in a shortage of water. If vegetation zones move, a review must be made of how natural values and habitat protection can be adapted. Risks for future storms are managed through forest insurance. The Board has adopted a balanced level of risk (EC2).

Sveaskog's investments are made on a commercial basis in order to strengthen the business and the brand. Investments in roads, ecoparks and information material also have a value to the public since they provide opportunities for outdoor pursuits. Investments in outdoor initiatives for the general public are mainly directed at public areas, particularly the ecoparks. Information is produced, web services, information, trails and picnic areas are maintained. Investments in open-air areas and ecoparks totalled SEK 2.5 million (4.3) in 2012. At Mörrums Kronolaxfiske fishing waters in Blekinge continual development of operations takes place. Investments in Mörrums Kronolaxfiske amounted to SEK 4.6 million (2.4). Sveaskog invests in the development of its subsidiary Hjälmare Kanal AB. By investing in the visitors' centre, nature trails and cycle paths, Sveaskog preserves and develops the canal as a visitor attraction and part of Sweden's cultural heritage. Total investments in Hjälmare Kanal AB amounted to SEK 2.7 million (1.5). Sveaskog's road maintenance activities are important both for the company and for stakeholders. Good roads are essential for silvicultural work and felling. They also make it easier for tourism companies, outdoor enthusiasts and hunters to get out into the forests. Further-

more, the roads provide us with revenues when other forest companies use them for their transports. In 2012 Sveaskog laid 270 km (280) of new roads and increased bearing capacity on approximately 450 km (790) of roads. SEK 90 million (71) was invested in 2012. Most of these costs are direct depreciation (EC8)\*. Sveaskog's operations are spread throughout Sweden and indirectly Sveaskog contributes to job opportunities, often in rural areas (EC9).

\* Swedish Road Administration's guidelines for what is classified as investment.

### LOW IMPACT – HIGH INFLUENCE

Sveaskog has extensive provisions for pensions as well as paying monthly premiums. Provisions are regulated by Swedish law, collective agreements and special agreements. For a more detailed account of EC3 see Note 23 on page 85 of Sveaskog's annual report (in Swedish). Sveaskog uses contractors for forestry operations and transport and most of the contractors are local. In total, local contractors were procured for approximately SEK 2,004 million (EC6). Due to the geographic spread of operations, people are employed who live locally. Senior executives also have local connections which strengthens contacts with the local community and increases the ability to understand local needs. Of group management in 2012, five executives were stationed in Stockholm, two in northern Sweden, two in Central Sweden and one in southern Sweden. Sveaskog has almost 100% local employment and general practice governs these routines (EC7).

### LOW IMPACT – LOW INFLUENCE

Sveaskog is owned by the Swedish state, operated on a commercial basis and governed by its articles of association. Support comes from the public sector (EC4) in the form of road subsidies which are reported in Note 1, Revenues – government grants page 70 and EU subsidies for nature conservation activities, which for 2012 totalled approximately SEK 8.5 million. Transactions with the state are reported in Note 3 page 74–75. EC5 is not significant to report since salaries in Sveaskog are governed by collective agreements in Sweden. In the Baltic countries, individual salary agreements are applied, but all are far in excess of levels for local minimum wage.

	Where to find information	Reporting extent
<b>Disclosures on sustainability governance</b>		
Targets and performance	P 10–11, 54*	●
Policy	P 13, note 28*, W	●
Additional contextual information	P 13, 54–60*	●

	Where to find information	Reporting extent
<b>Economic performance</b>		
EC1 Direct economic value generated and distributed (C)	P 12	●
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change. (C)	P 12, 34, 40–42	●
EC3 Coverage of the organisation's defined benefit plan obligations (C)	P 46*, 85–86*	●
EC4 Significant financial assistance received from government (C)	P 46*, 70*, 74–75*	●
<b>Market presence</b>		
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations (C)	P 12, 16–17, 46*	●
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant locations of operations (C)	P 46*	●
<b>Indirect economic impact</b>		
EC8 Development and impact of infrastructure investments and services (C)	P 46*	●
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts (A)	P 12–17	●

## ENVIRONMENTAL PERFORMANCE INDICATORS – Environmental impact

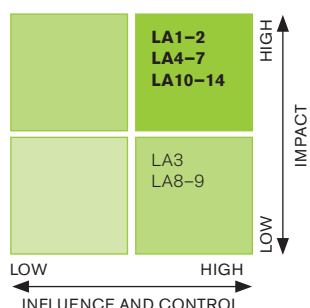
<b>EN28</b> EN29	<b>EN11–14</b> EN15 <b>EN16–18</b> <b>EN20</b> <b>EN30</b>	HIGH ↓ IMPACT ↓ LOW	<b>HIGH IMPACT – HIGH INFLUENCE</b> Protection of biodiversity is a key issue for Sveaskog (EN11–14). A large number of species, including several red-listed, have habitats on Sveaskog's lands. Work on an inventory of red-listed species has started but EN15 is not reported. Felling and transports lead to emissions of greenhouse gases and other pollutants, see pages 22, 24–25 (EN16–17, EN20). Work is underway to reduce emissions from operations, see pages 24–25 (EN18).
EN1–2 EN6 EN8–10 EN19 EN21–25 EN27	<b>EN3–4</b> EN5 EN7 EN26		Environmental protection measures and projects to restore environmental and natural values involve major costs. Nature conservation work is regarded as an investment. A rough compilation which includes salaries, certification costs, habitat, restoration of aquatic values, provides a cost of SEK 26.0 million (31.3) for 2012 (EN30).
LOW ← INFLUENCE AND CONTROL → HIGH			<b>HIGH IMPACT – LOW INFLUENCE</b> Sveaskog received a forest fine of SEK 5,000 for a violation of the Environmental Code for felling a key biotope, EN28. Sveaskog has no follow-up of for example employee travel to and from work and aspects such as noise and does not report EN29.
			<b>LOW IMPACT – LOW INFLUENCE</b> Sveaskog has no production, which means that use of materials and questions related to recycling, EN1 and EN2, are irrelevant and not reported. EN6 does not apply to Sveaskog's products and is not reported. Since Sveaskog has no emissions of ozone-depleting compounds, EN19 is not significant to the report. The forest is important for cleaning water, there is not extensive water consumption or emissions to water and the indicators EN8, EN9, EN10, EN21, EN25 are not significant to this report. Water for greenhouses is taken from nearby dams, where water consumption makes a positive contribution to regulating the water level. Waste and spills from forestry operations are minor the indicators EN22, EN23 and EN24 are not significant for reporting. Since waste and spills are not derived from a specific product EN27 is assessed as not significant to this report.
			<b>LOW IMPACT – HIGH INFLUENCE</b> Energy consumption (EN3–4) is reported on page 22. EN5 (energy saved due to conservation and efficiency improvement) and EN7 (initiatives to reduce indirect energy consumption and reductions achieved) may be reported later. Initiatives to mitigate environment impacts of products and services, EN26, is not reported since environmental impact is not derived from a specific product.

	Where to find information	Reporting extent
<b>Disclosure on management approach</b>		
Targets and performance	P 6, 10–11, 20–25	●
Policy	P 13, W	●
Organisational responsibility	P 13, 32, 44–47	●
Training and awareness	P 21, 26	●
Monitoring and follow-up	P 12–15, 20–21	●
Additional contextual information	P 40–42	●
<b>Energy</b>		
EN3 Direct energy consumption by primary energy source (C)	P 22, 25	●
EN4 Indirect energy consumption by primary energy source (K)	P 22, 25	●
<b>Biodiversity</b>		
EN11 Location and size of land owned, leased and managed, in or adjacent to protected areas and areas of high biodiversity value outside protected areas. (C)	P 20–21*, 20–21, W	●
EN12 Description of significant impacts of activities, products and services on biodiversity in protected area and area of high biodiversity value outside protected areas (C)	P 20–21	●
EN13 Habitats protected or restored (A)	P 20–21, W	●
EN14 Strategies, current actions and future plans for managing impact on biodiversity (A)	P 20–21	●



	Where to find information	Reporting extent
<b>Emissions, effluents and waste</b>		
EN16 Total direct and indirect greenhouse gas emissions by weight (C)	P 22, 24–25	●
EN17 Other relevant indirect greenhouse gas emissions by weight (C)	P 22	●
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved (A)	P 22, 24–25	●
EN20 NO, SO and other significant air emissions by type and weight (C)	P 22	●
<b>Compliance</b>		
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (A)	P 35	●
<b>Overall</b>		
EN30 Total environmental protection expenditures and investments by type (A)	P 35	●

## SOCIAL PERFORMANCE INDICATORS – Labour practices and decent work



### HIGH IMPACT – HIGH INFLUENCE

Issues related to employees, labour law, working environment, participation and skills development are important to Sveaskog (LA1–2, LA4–7 and LA10–12). There is no routine reporting of the number of hours that consultants and self-employed work for Sveaskog and these groups are not included in reporting of LA indicators. As regards significant organisational changes in operations there is no specified minimum notice period (LA5), by law or in collective agreements. Instead the principles in the Swedish Co-determination Act (MBL) are followed.

In Sweden all employees are represented in safety committees. In the subsidiary Sveaskog Baltfor SIA, this work is conducted with the aid of a working environment consultant, although based on the same working environment targets as those applying in the rest of the Group.

The proportion represented in safety committees is over 75% (LA6).

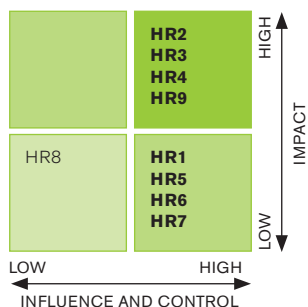
Sveaskog works strategically with diversity and equality issues (LA13–14), although due to current legislation is unable to follow up and quantify the results of all parts of diversity work.

### LOW IMPACT – HIGH INFLUENCE

Benefits cover all employees and LA3 is not reported. The risk of disease is limited for Sveaskog's employees and the indicator LA8 which takes up areas such as training, support and risk management for employees and their families in the event of serious diseases, is not reported. Working environment topics are systematically regulated by law and collective agreements which means it is not relevant to report LA9.

	Where to find information	Reporting extent
<b>Disclosure on management approach</b>		
Targets and performance	P 10–11, 26–31	●
Policy	P 13, W	●
Organisational responsibility	P 13, 32, 44–47	●
Training and awareness	P 26–31	●
Monitoring and follow-up	P 13–15	●
Additional contextual information	P 39–42, 76–78*	●
<b>Employment</b>		
LA1 Total workforce by employment type, employment contract and region (C)	P 30, 76–78*	●
LA2 Total number and rate of employee turnover by age group, gender and region (C)	P 31	●
<b>Labour/management relations</b>		
LA4 Percentage of employees covered by collective bargaining agreements (C)	P 28	●
LA5 Minimum notice period(s) regarding operational changes included whether it is specified in collective agreements (C)	above	●
<b>Occupational health and safety</b>		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes (A)	above, P 28	●
LA7 Rates of injury, occupational diseases, lost days and absenteeism and work-related fatalities (C)	P 31, 77*	●
<b>Training and education</b>		
LA10 Average hours of training per year per employee by employee category (C)	P 26, 30	●
LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (A)	P 31	●
LA12 Percentage of employees receiving regular performance and career development reviews (A)	P 27	●
<b>Diversity and equal opportunity</b>		
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity (C)	P 30, 76–77*, 48–50, above	●
LA14 Ratio of basic salary of men to women by employee category (C)	P 31	●

## SOCIAL PERFORMANCE INDICATORS – Human rights



### HIGH IMPACT – HIGH INFLUENCE

Production and silvicultural activities are conducted to a large extent by contractors. Sveaskog places extensive demands on environment and social issues and follows up these requirements. Sveaskog pursues the issue of how information, interpretation and application of regulations relating to insurance/employer issues are handled in small companies. One case during the years illustrates the importance of this. In summer 2011, two Rumanian planters were killed in a traffic accident. They were working for a subcontractor to one of Sveaskog's contractors. In 2012 it emerged that the families had not received compensation from insurance since no claim had been made. Framework agreement suppliers are subject to Sveaskog's CSR requirements which are gone through when contracts are signed. All new framework agreement suppliers signed the CSR requirements in 2012 which means that 52 of 60, i.e. 87% of framework agreement suppliers have signed the requirements. No follow-up examination with site visits were made during the year (HR2). Training in policies and guidelines is important and takes place at organised training

days. During the year 8% of employees participated in training related to human rights. An estimated 60 employee training hours were dedicated to these issues (HR3). The number of incidents of discrimination is followed up annually (HR4). Reindeer herding takes place on Sveaskog's lands and Sveaskog consults in accordance with the Swedish Forestry Act and FSC® undertakings with reindeer herders regarding forestry activities (HR9).

### LOW IMPACT – HIGH INFLUENCE

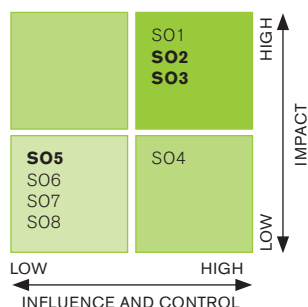
Investments outside Sweden are modest and the risk of negative impact is therefore low. Investments in Sweden include infrastructure and R&D projects. Demands are made in the supply chain based on the Code of Conduct and CSR requirements (HR1). Sveaskog supports the Global Compact and reports the company specifics and complies with principles on human rights (HR5–7).

### LOW IMPACT – LOW INFLUENCE

Sveaskog has no safety employees relevant for reporting under HR8.

	Where to find information	Reporting extent
<b>Disclosure on management approach</b>		
Targets and performance	P 10–11, 17–18, above	●
Policy	P 13, 17, W	●
Organisational responsibility	P 13, 17, 32, 44	●
Training and awareness	P 26, above	●
Monitoring and follow-up	P 14–15, 17–18	●
Additional contextual information	P 40–42	●
<b>Investment and procurement practices</b>		
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening (C)	P 18, above	●
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken (C)	P 17–18, above	●
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained (A)	above	●
<b>Non-discrimination</b>		
HR4 Total number of incidents of discrimination and actions taken (C)	P 28	●
<b>Freedom of association and collective bargaining</b>		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights (C)	P 18	●
<b>Child labour</b>		
HR6 Operations where there is a risk of incidents of child labour and actions taken (C)	P 18	●
<b>Forced and compulsory labour</b>		
HR7 Operations identified as having significant risk for incidents of forced and compulsory labour and measures taken to contribute to the elimination of forced and compulsory labour (C)	P 18	●
<b>Indigenous rights</b>		
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken (A)	P 18	●

## SOCIAL PERFORMANCE INDICATORS – Society



### HIGH IMPACT – HIGH INFLUENCE

Sveaskog's operations affect both the local community and other businesses. Most of operations are in rural areas where the need of job opportunities is considerable and Sveaskog is a significant employer as well as a key part of local business. Studies show that operations have a significant influence on indirect employment. There is no programme, however, for evaluating impact in the local community apart from the study of indirect employment and SO1 is not reported. Corruption is a threat against free competition and Sveaskog dissociates itself from corruption and bribes in the code of conduct and works with risk analysis of the business units (SO2). One tool for preventing corruption is to train employees in the code of conduct. An estimate made after a review of the list of participants at various training days is that 8% of employees attended training in the organisation's policies and routines relating to anti-corruption during the year (SO3).

### LOW IMPACT – HIGH INFLUENCE

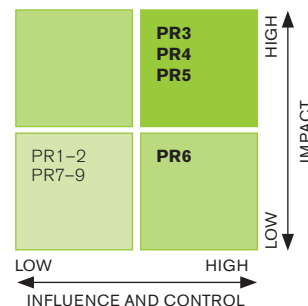
Sveaskog did not have any incidents linked to corruption during the year and does not report SO4.

### LOW IMPACT – LOW INFLUENCE

Sveaskog participates in the Swedish political decision process as a body to which proposed measures are referred for consideration. In 2012 Sveaskog among other things responded to Proposed simplifications to the rules in silvicultural legislation and the final report of the Inquiry on Predatory Animals (SO5). Sveaskog is a member of Eustafor, a Brussels-based interest group comprising European forest owners. No contributions or gifts are given to political parties or similar and Sveaskog does not report SO6. Sponsorship work is governed by guidelines. Sveaskog has not carried out any activities that can be regarded as restricting fair competition or illegal that results in fines and reports neither SO7 nor SO8.

	Where to find information	Reporting extent
<b>Disclosure on management approach</b>		
Targets and performance	P 10–11, 17–18, W	●
Policy	P 13, W	●
Organisational responsibility	P 13, 17, 32, 44	●
Training and awareness	P 17, above	●
Monitoring and follow-up	P 14–16, 17–18	●
Additional contextual information	P 76–78*	●
<b>Society</b>		
SO2 Business units analyses for risks related to corruption (C)	P 18, above	●
SO3 Employees trained in the organisation's anti-corruption policies and procedures (C)	above	●
SO5 Participation in public policy development and lobbying (C)	above, W	●

## SOCIAL PERFORMANCE INDICATORS – Product responsibility



### HIGH IMPACT – HIGH INFLUENCE

Sveaskog's forests are certified according to the Swedish FSC® standard. Raw material, for example imported wood raw material, may not come from controversial sources according to the FSC®'s definitions and Sveaskog has two traceability certificates (PR3 and PR4). Sveaskog has routines for evaluating and maintaining customer satisfaction, including customer surveys and business development discussions (PR5).

Compliance is checked in conjunction with brand audits, FSC® audits and review of sponsoring co-operation (PR6).

### LOW IMPACT – LOW INFLUENCE

Indicators PR1 and PR2 are not significant to report, since Sveaskog's products, wood raw material, do not have the type of impact to which the indicators refer. Sveaskog's marketing and market communication complies with current rules and PR7 is not reported. Sveaskog looks after the integrity of its customers and receives no complaints regarding integrity issues or loss of data. PR8 is not reported. Sveaskog has not received any fines for non-compliance with regulations concerning the use of products and services and does not report PR9.

### LOW IMPACT – HIGH INFLUENCE

Sveaskog's information activities, market communication and sponsoring are governed by the information policy, sponsoring guidelines and FSC®'s graphic manual.

	Where to find information	Reporting extent
<b>Disclosure on management approach</b>		
Targets and performance	P 6, 10–11, 19–21	●
Policy	P 13, W	●
Organisational responsibility	P 13, 21, 64*	●
Training and awareness	P 16, 19–21	●
Monitoring and follow-up	P 14–15, 19–21	●
Additional contextual information	P 19–21	●
<b>Product and service labelling</b>		
PR3 Type of product and service information required by procedures (C)	P 19–21	●
PR4 Total number of incidents of non-compliance with regulations and voluntary code concerning product and service information and labelling by type of outcomes (A)	P 19–21	●
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (A)	10–11, 14–15	●
PR6 Programmes for adherence to laws, standards and voluntary codes for marketing communications (C)	P 13, W, above	●



# Signature by the Board of Directors

The undersigned hereby submit Sveaskog AB's (publ) sustainability report for 2012.  
The sustainability report describes Sveaskog's sustainability initiatives and is prepared in accordance with Guidelines for sustainability reporting, issued by Global Reporting Initiative.

Stockholm, 13 March 2013

Göran Persson  
*Chairman*

Eva Färnstrand  
*Board member*

Thomas Hahn  
*Board member*

Johan Hallberg  
*Board member*

Birgitta Johansson-Hedberg  
*Board member*

Carina Håkansson  
*Board member*

Anna-Stina Nordmark Nilsson  
*Board member*

Mats G Ringesten  
*Board member*

Sture Persson  
*Employee representative*

Eva-Lisa Lindvall  
*Employee representative*

Per-Olof Wedin  
*President and CEO*

## Auditors' report on limited review of sustainability report

### To readers of Sveaskog's annual and sustainability report 2012

We have been engaged by the management of Sveaskog AB (publ) to review the Sveaskog Sustainability Report for the year 2012. The Board of Directors and Executive Management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

#### The scope of the review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. 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 an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review is based are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, included e.g. the following procedures:

- update of our knowledge and understanding of Sveaskog's organisation and activities,
- assessment of criteria suitability and application with regard to stakeholders' information needs,
- interviews with management at group level in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- examination of internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- evaluation of the design of systems and processes used to obtain, manage and validate sustainability information,
- analytical procedures of the information stated in the Sustainability Report,
- assessment of the company's declared application level according to the GRI guidelines,
- assessment of the overall impression of the Sustainability Report and its format, taking into consideration the consistency of the stated information with applicable criteria.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the Sveaskog Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 13 March 2013

Öhrlings PricewaterhouseCoopers AB

Martin Johansson  
*Authorised Public Accountant*

Fredrik Ljungdahl  
*Expert member of FAR SRS*

# Risk and sensitivity analysis

Biological growth of Sveaskog's forest assets provides opportunities for stable cash flows from felling, property sales and granting concessions. This limits Sveaskog's economic risks. Other risks are systematically inventoried, and include legal, financial and operational risks.

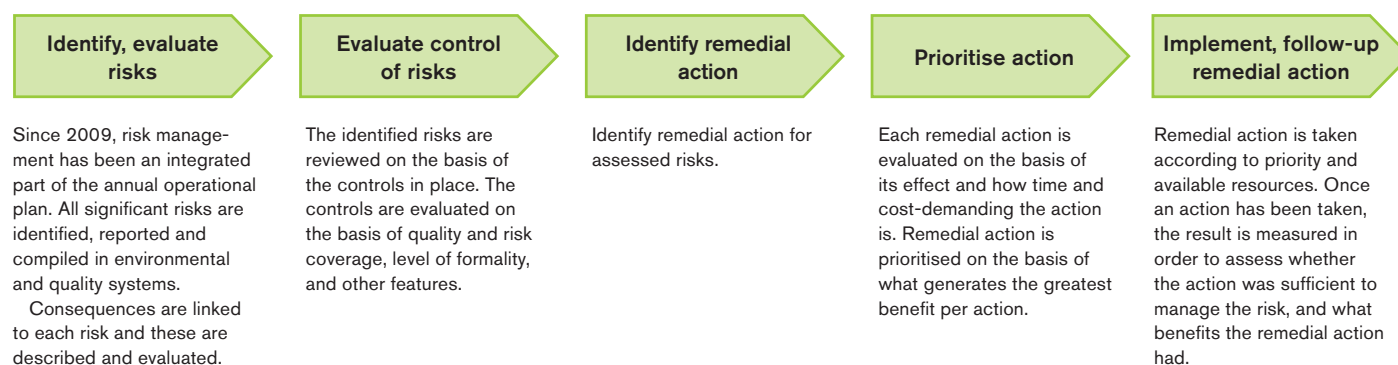
## Major spread of risks

Sveaskog is exposed to financial, legal, market-related, operational and social risks as well as risks to the forest capital in the form of biological, weather and climate risks.

The extensive storm fellings in 2005, 2007 and 2011 show the weather and climate risks and their consequences. At the same time, Sveaskog's large and widespread holdings provide a spread of weather and biological risks. Sveaskog's forest holdings are insured against extra costs via direct insurance and in the reinsurance market.

Sveaskog works to develop the different values of the forest among other ways by creating additional sources of income with the forest as a base. The focus on granting leases for hunting, fishing and eco-tourism as well as eco-friendly protection against insects when planting and processing seedlings are some examples. Sveaskog also invests in wind power in co-operation with energy companies, development of biofuel and examines other business opportunities such as ecosystem services. These activities provide a broader income base, but can also represent risks.

## Risk management process at Sveaskog



### Responsibility for risks and governance

Sveaskog's Board is responsible for the company managing risks in the right way and ensuring compliance with adopted principles for financial reporting and internal control. The CEO has overall responsibility. Risk assessments are made on the basis of process descriptions. The Accounts and Treasury staffs are assigned by the CEO to be responsible for an inventory of risks and for conducting the risk management processes. Operational responsibility rests with each market area, but is followed up at central level.

## Sensitivity analysis: Sveaskog's assessment of significant risks and their impact

### Comments on assessment of probability and impact

#### Weather, climate and environmental risks

Storm fellings are a risk and storm-felled and thereby damaged timber comprises an average of approximately 5% of annual felling. The forest is affected by climate change, including an increased storm frequency, changes in precipitation and vegetation boundaries. Soil contamination is a risk where the company can have a responsibility as property owner or former operator. Decontamination can involve major costs.

#### Biological risks

Damage to the standing forest caused by game, insect damage, as well as Brunchorastia disease, root rot and other fungal diseases are the biggest biological risks for a forest owner. Preventive measures such as game management, mechanical protection against insects and other measures are costly.

#### Market risks

Development for the sawmill and pulp and paper industries are important for forestry profitability. Customers with a weak ability to pay are a risk. The growing market for biofuel leads to new sales

outlets. Internationalisation requires income and productivity development for the industry on a par with competitors in other countries.

#### Operational and legal risks

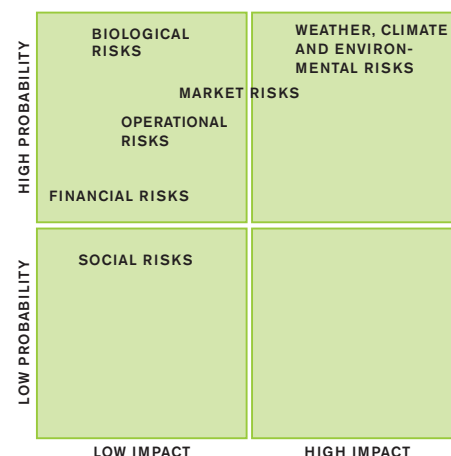
Operational activities are exposed to risks. These can take the form of inadequate operational support or routines. This can lead to the risk of economic loss or loss of profits and lead to reporting that contravenes law or good practice, which in turn can reduce future market confidence.

#### Financial risks

Financial risks comprise financing risk, interest rate risk, credit/counterparty risk and currency risk. Work to reduce financial risks is conducted in accordance with a finance policy adopted by the Board. Additional information about Sveaskog's financial risk situation is provided in the Annual Report in Note 28 (in Swedish).

#### Social risks

Timber purchases involve risks linked to illegal felling, corruption and labour law. Negative opinions are a risk for Sveaskog's brand and business relationships.



Contractors who carry out assignments and do not meet their commitments, as well as other infringements of the company's code of conducts are also a risk.

## Management of significant risks

### Weather, climate and environmental risks

	Governance and management
<b>Climate change</b> Changed climate can lead to increased storm frequency, changes in precipitation and vegetation boundaries.	Work with processed seed and seedling material. Insurance.
<b>Storm felling</b> Direct economic loss through lower operating profit, reduced value of forest capital, cleaning up puts a strain on the organisation, damage from bark beetle.	Silvicultural measures that reduce risks: thinning, planting, increased proportion of deciduous trees, final felling at economic maturity. Good crisis organisation and logistics. Ability to move felling resources to storm-felled areas. Insurance against damage.
<b>Contaminated soil within Sveaskog's holdings</b> Responsibility for contaminated soil and need of decontamination with potentially major costs.	Mapping, strategy for prioritising areas, liability investigations, working with surveys and decontamination.

### Biological risks

	Governance and management
<b>Spruce bark beetle</b> Population in the north has grown and the control area has been extended. In the south attacks have subsided, leading to a reduced control area.	Fast processing of storm-felled timber and standing trees recently attacked.
<b>Game grazing damage</b> Game which graze on trees and seedlings delay forest growth.	Hunting, measures to increase access to feed, increased knowledge of game populations.
<b>Pine weevil</b> Gnaws the bark off conifer seedlings which leads to deteriorated regeneration.	Chemical protection and use of mechanical plant protection, Conniflex and development of Multipro.
<b>Root rot</b> Value of standing forests decreases, trees die.	Preventing attacks by treating stumps during felling with spores.
<b>Resin top disease</b> Fungus on young stands of pine trees which means trees die.	Inventory of extent of disease. Felling damaged trees. Trees with resin top disease not left as seed or care-demanding trees.



## ► Market risks

	Governance and management
<b>Sawmill industry</b> At times poor profitability leads to closure of sawmills and loan losses for Sveaskog. Restructuring may lead to fewer customers in local areas for Sveaskog's forest holdings.	Active choice of customer and credit insurance. Priority given to co-operation with customers with long-term survival and profitability potential.
<b>Pulp and paper industry</b> A few, dominant companies lead to a lack of competition and few alternative business opportunities.	Expand market and customer capital. More efficient logistics and increased exports. New product range such as biofuel increases market potential.
<b>Energy sector</b> Elimination of companies and customers in Sveaskog's traditional markets.	To be an effective provider of advanced, customer-oriented business concepts that provide added value and increased profitability for all parties.

## Operational and legal risks

	Governance and management
<b>Legal risks</b> Activities that contravene the law and good practice.	Clear rules, controls, follow-up and audits.
<b>Inadequate routines and structure</b> Inadequate systems support, routines and organisation lead to financial loss, loss of profit, loss of market confidence and difficulties in skills supply.	Documented routines and work processes in all parts of the business. Ensure high quality of systems support since information systems comprise a key part of operations. Training courses which increase knowledge of Sveaskog's working methods.
<b>Loss of FSC® certification</b> Lack of quality in silvicultural activities and consideration for nature as well as deficiencies in work and follow-up of social responsibility can result in Sveaskog losing its FSC® certificate, which would have a material impact on the timber operations.	Documented routines and work processes in all parts of the business. Internal and external audits as well as training for continual improvements.


## Financial risks

	Governance and management
<b>Financing risk</b> Assets are partly financed with external loans. This constitutes a risk if a large borrowing requirement arises in a tight credit market.	A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing.
<b>Interest rate risk</b> The risk that Sveaskog is exposed to a disadvantageous interest rate situation with a large loan portfolio.	Sveaskog's policy is an average fixed interest term on the loan portfolio of 10–36 months.
<b>Credit risk</b> The risk that a counterparty is unable to fulfil obligations.	The finance policy regulates maximum credit exposure in the investment portfolio. For commercial credit exposure some major customers are exempted, otherwise other credit insurance is taken out.

## Social risks

	Governance and management
<b>Timber imports from undesirable origins</b> Purchase from, for example, Russia and the Baltic countries can present risks linked to illegal felling, corruption and labour law.	Sveaskog's code of conduct as well as certification and clear guidelines for tracing and documentation of purchased raw material, which govern the company's actions and follow-up.
<b>Negative opinion</b> The brand and confidence in the company are affected and thereby customer relationships and co-operation.	Code of conduct, internal routines, active provision of information and ongoing dialogue with stakeholders.
<b>Contractors</b> Contractors which fail to meet commitments can constitute a risk linked to working environment, health, safety, labour law.	Code of conduct, guidelines for procurement of contracts as well as follow-up and control of compliance reduce risks.
<b>Corruption</b> Unclear guidelines and routines lead to a risk of bribes, bribery and corruption.	Code of conduct, clear guidelines, internal control, possibility to report violations anonymously.





Profitable forestry combined  
with environmental responsibility



# Corporate governance report

Sveaskog applies the Swedish Code of Corporate Governance, the Code, but in accordance with the State's ownership policy and guidelines for companies in state ownership has deviated from the Code as regards preparation of decisions on nominations to the board and auditors and with regard to reporting on Board members' independence in relation to the state as major owner. The principles for the nomination process for board and auditors in wholly owned state companies are described below.

## CLEAR ASSIGNMENT OF RESPONSIBILITIES

Sveaskog is a limited company whose sole owner is the Swedish state. Governance of the company is based on the articles of association, the Swedish Companies Act, the Swedish Code of Corporate Governance and the State's ownership policy and guidelines for state-owned companies.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Sveaskog AB was held on 26 April 2012 in Konserthuset, Grönewaldsalen, Stockholm. Members of parliament are entitled, pursuant to the State ownership policy and guidelines for companies with state ownership and special regulations in the articles of association, to attend Sveaskog's annual general meetings. The meeting was also open to the public. During the annual general meeting there was an opportunity to ask questions about the company's operations. The 2013 Annual General Meeting will be held on 22 April in Stockholm.

## NOMINATION PROCESS

According to the State's owner policy and guidelines for state-owned companies, the principles below apply to state-owned companies which are unlisted. These principles replace the Code's rules for

preparation of decisions on nomination of board members and auditors.

## Nomination of the Board

The nomination process is co-ordinated by the unit for state ownership at the Ministry of Finance. Nominations for members are presented in accordance with the Code's guidelines in the notice of the annual general meeting and on the company's website. The unit for state ownership also provides proposals for chairman of the board and a person to chair the annual general meeting.

## Nomination of auditors

The owner is responsible for the appointment of auditors and a decision is made at the annual general meeting. The practical work of procurement is handled by the board's audit committee together with the company. Auditors are appointed for a mandate period of one year. Ahead of appointment of auditors information about the proposal is provided in the notice of the annual general meeting and on the company's website.

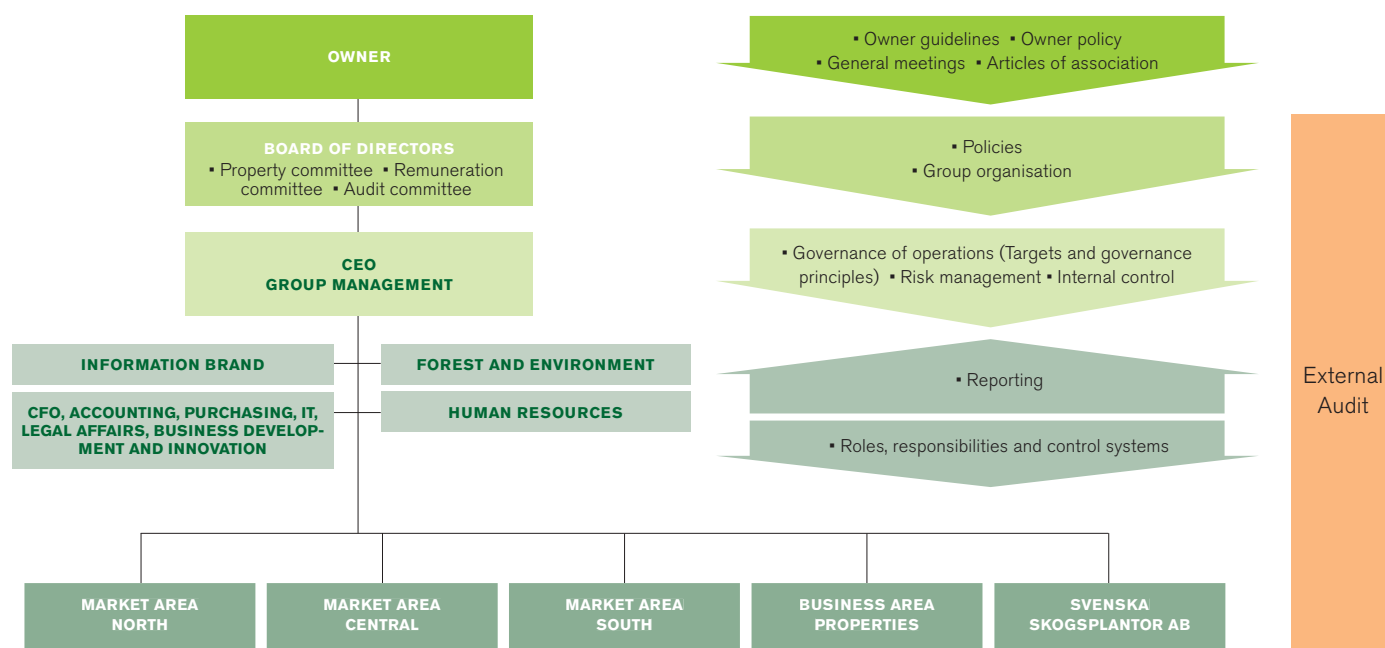
## BOARD OF DIRECTORS

In accordance with the articles of association, the board shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The articles of association do not contain any regulations on the appointment or dismissal of board members. The company's legal counsel is the secretary to the board. The CEO is not a member of the board but makes presentations at board meetings.

## The work of the board

According to the board's formal work plan, in addition to its statutory

## Organisation and governance 2012





meeting, the board shall normally hold eight meetings per year. The formal work plan stipulates which matters should be examined at each meeting and which specific issues should be submitted to the board. The formal work plan states that the chairman, on behalf of the board, shall consult with representatives of the owner on matters of material significance to the group. The formal work plan also contains details of the role of the chairman in the board and on assignment of responsibilities and tasks between the board and the CEO. The board has not been authorised by the general meeting to decide that the company shall issue new shares. During the 2012 financial year the board had ten minuted meetings, including one two-day strategy meeting. For information about each board member's attendance at board and committee meetings, see pages 46–47. During the year the board, in addition to processing standing items on the agenda, made the following decisions: (i) to adopt a new organisation, (ii) to adopt a new development strategy, (iii) to adopt a strategy for the holding in Setra and (iv) to take in a new shareholder in SunPine to enable new investments.

The board's strategy meeting included an in-depth discussion of Sveaskog's business plan and strategic map, which contains the various sub-components which will lead to the company achieving the new financial targets. The strategy meeting discussed economic and structural changes in Sveaskog's markets and measures to meet changes in demand. The impact of possible climate changes on the industry and the market was also highlighted.

In view of changes in bribery legislation, the board discussed the company's guidelines and control systems to ensure compliance with the legislation.

#### **Board committees**

The board has three committees: remuneration, audit and property committees. The committees prepare matters ahead of a decision in the board. Guidelines for the work of the committees are found in the board's formal work plan. In addition, there are special instructions for the property committee and the audit committee. The chairman of the board takes part as chairman in both the remuneration and the property committee. The chairman of the audit committee is Anna-Stina Nordmark Nilsson. Issues examined are minuted and a report presented at the next board meeting.

#### **REMUNERATION COMMITTEE**

The remuneration committee deals with issues related to remuneration and terms of employment for senior executives. The remuneration committee had two meetings in 2012. The remuneration committee comprises Göran Persson and Mats G Ringesten.

#### **AUDIT COMMITTEE**

The tasks of the audit committee include responsibility for preparing the board of the board on quality assurance of the company's financial reporting, to regularly meet the company's auditors in order to be informed about the focus, scope and results of audits, as well as to discuss co-ordination between external auditors and internal control activities and the approach to the company's risks.

The audit committee held eight minuted meetings, of which the external auditors took part in five. The audit committee comprises Anna-Stina Nordmark Nilsson, Johan Hallberg and Sture Persson. During the year the committee especially prepared the work of quality assuring the valuation model for standing forest, the company's processes for property accounting and current corporate governance issues. The company's efforts to ensure good IT security were also examined.

#### **PROPERTY COMMITTEE**

The task of the property committee is to examine issues relating, among other things, to property acquisition, property management and property sales. The property committee held six meetings. The property committee comprises Göran Persson, Birgitta Johansson-Hedberg and Eva-Lisa Lindvall.

#### **Composition of the board**

Sveaskog's board has eight members elected at the annual general meeting of whom four women and four men, as well as two employee representatives and two deputies for them.

#### **The Board**

The board comprises the chairman of the board Göran Persson, board members Eva Färnstrand, Johan Hallberg, Thomas Hahn, Carina Håkansson, Birgitta Johansson-Hedberg, Anna-Stina Nordmark Nilsson, Mats G Ringesten and employee representatives Eva-Lisa Lindvall, Sture Persson with Per Eriksson and Kurt Larsson as deputies. A detailed presentation of the board is provided on pages 48–49. At the 2012 annual general meeting Göran Persson was re-elected chairman and all board members, apart from Marianne Förander who has terminated her employment at the Swedish Government Offices and Elisabeth Nilsson who declined re-election. Johan Hallberg was elected as a new member of the board.

#### **Remuneration to the board**

Fees to the board are determined by the annual general meeting. Fees to board members on board committees are also decided at the annual general meeting. During the year remuneration to the board comprised a total fee of SEK 1.5 million. Allocation of fees can be seen in Note 8, on page 77 of the Swedish annual report. The board did not participate in any incentive programme.

#### **SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH FINANCIAL REPORTING FOR 2012**

The board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance which also contains a requirement for annual external provision of information regarding how internal control, the part that relates to financial reporting, is organised.

Internal control relating to financial reporting is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of year-end reports, interim reports and annual reports and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on a limited company.

The following description has been prepared in accordance with the Swedish Code of Corporate Governance and application instructions.

#### **Framework for internal control**

Sveaskog applies COSO's framework for documentation and analysis of internal control. The following description of how internal control is organised in relation to financial reporting, follows this structure:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities

## Control environment

The board has overall responsibility for maintaining an effective system for internal control and risk management. The board has appointed an audit committee which prepares matters related to risk assessment, internal control, financial reporting and audit for examination by the board.

Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels in the company have corresponding responsibility within their respective areas.

The most significant parts of the control environment relating to financial reporting are handled in the governing documents relating to accounting and financial reporting and in the accounting handbook which is published on the intranet.

During 2012 work started in view of changes in Swedish bribery legislation. An in-depth examination has been performed which showed good control. In 2013 guidelines for gifts and entertaining will be updated and a follow-up in the form of electronic tests will be launched.

## Risk assessment and control activities

The board is responsible for ensuring that the company manages its risks in the right way and that adopted principles for financial reporting and internal control are complied with. Risks in connection with the financial reporting are loss or misappropriation of assets, unlawful benefit of another party at the company's expense and other risks relating to material misstatement in the financial statements, for example relating to recognition and measurement of assets, liabilities,

revenues and expenses or discrepancies in disclosure requirements. These issues are prepared by the audit committee before consideration by the board. A number of items in the income statement and balance sheet have been identified where the risk of material misstatement is significant. These risks can mainly be attributed to measurement of standing forest, accruals and the IT systems which support operations.

## Information and communication

Sveaskog has information and communication channels designed to promote the completeness and accuracy in financial reporting. For external communication there are guidelines designed to ensure that the company meets high requirements for accurate information to the market.

## Monitoring activities

The board continuously evaluates the information provides by the CEO.

## Special review function

The board considers that Sveaskog's significant risks and risk areas are covered by the process of risk management applied by the company. The accounting and finance functions are assigned by the CEO to be responsible for risk inventories and for conducting risk management processes. The accounting and finance function is also responsible for a number of central controls combined with a controller activity at local level. Operational responsibility rests, however, within the market areas, business areas and other operating areas. The board believes there is no need for a special review function in the company.

## Board members' attendance at board meetings

	13 January	26 January	15 March	26 April	26 April
	<ul style="list-style-type: none"> <li>Calculation parameters for standing forest</li> <li>Dividend strategy</li> <li>Organisational structure</li> <li>Effects of storm Dagmar</li> </ul>	<ul style="list-style-type: none"> <li>Reports from committees</li> <li>Financial report</li> <li>Special review function</li> <li>Year-end report 2011</li> <li>Auditors' review</li> <li>Group policies</li> </ul>	<ul style="list-style-type: none"> <li>Reports from committees</li> <li>Financial report</li> <li>Proposed dividend</li> <li>Annual report</li> <li>Auditors' information to board without presence of group management</li> <li>Ahead of the annual general meeting</li> <li>Owner issues in associated companies</li> <li>Focus of business plan work</li> </ul>	<ul style="list-style-type: none"> <li>Reports from committees</li> <li>Financial report</li> <li>Interim report</li> <li>Financing issues</li> <li>Deputy CEO function, Per Matses appointed</li> </ul>	Statutory board meeting
Göran Persson	X	X	X	X	X
Eva Färnstrand	X	X	X	X	
Marianne Förander	X	X	X	X	
Thomas Hahn	X	X	X	X	X
Carina Håkansson	X	X	X	X	X
Birgitta Johansson-Hedberg	X	X	X		X
Elisabeth Nilsson	X	X	X	X	
Anna-Stina Nordmark Nilsson	X	X	X	X	X
Mats G Ringesten	X	X	X	X	X
Eva-Lisa Lindvall	X	X	X	X	
Sture Persson	X	X	X	X	X
Per Eriksson	X	X	X	X	X
Kurt Larsson	X	X	X	X	X
Johan Hallberg					X

## AUDIT

The task of the auditors is on behalf of the shareholder to examine the company's annual accounts and bookkeeping as well as the administration by the board and the CEO. The board communicates with the auditors through the audit committee, and by auditors being present at board meetings when issues ahead of year-end accounts and annual accounts are examined. The auditors meet the board at least once a year without the CEO or anyone else from group management being present.

At the 2012 annual general meeting PriceWaterhouseCoopers AB was appointed as auditors until the 2013 annual general meeting has been held with authorised public accountant Martin Johansson, as auditor in charge. The Swedish National Audit Office has decided not to appoint an auditor. Remuneration to auditors is specified in Note 6 on pages 75–76 of the Annual Report (in Swedish).

## Quality of financial reporting

In order to ensure the quality of financial reporting, the board has appointed an audit committee. The board also ensures the quality of financial reporting by examining and deciding on interim reports, year-end reports and annual reports at board meeting.

## CORPORATE STRUCTURE

Sveaskog has 702 permanent employees. Since April 2012, the forest operations with forestry and sales of raw material as the main assignment, have been conducted in three market areas: North, Central and South. In addition, there are two business units: Properties which is responsible for leasing transactions and land sales, and Svenska Skogsplanter which produces and sells forest

cultivation materials and provides silvicultural services. The market areas and the business units are supported by corporate staffs. Sveaskog also holds interests in companies where there is not a group relationship, where the holding in wood products company Setra Group AB is the largest.

## Management

Sveaskog is led by the CEO in accordance with instructions decided by the board. The CEO is not a member of the board but gives presentations and provides the board with information as a basis for its work. The CEO's responsibility includes ongoing business activities and contacts with the chairman of the board and external stakeholders. The CEO also leads the work of group management. In addition to the CEO, group management consists of the heads of the market areas, the CEO of Svenska Skogsplanter AB, the head of Properties, the CFO (also deputy CEO), and the heads of the staffs Information, Human Resources and Forestry. The CEO's assistant is co-opted. The gender distribution is four women and seven men. Group management, see pages 50–51.

## REMUNERATION TO SENIOR EXECUTIVES

Sveaskog complies with state guidelines for remuneration to senior executives. The board submits proposals to the annual general meeting on principles for remuneration to senior executives. The proposal is presented on the website in conjunction with the notice of the annual general meeting. Senior executives in Sveaskog only receive fixed remuneration. No bonus or incentive programmes exist. Remuneration to the CEO and senior executives is specified in Note 8 of the annual report (in Swedish).

12 June	19 July	4–5 September	25 October	6 December
<ul style="list-style-type: none"> <li>Report from committees</li> <li>Financial report</li> <li>Review of group structure</li> <li>Information policy</li> </ul>	<ul style="list-style-type: none"> <li>Financial report</li> <li>Interim report</li> <li>Decisions on property sales and acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Report from committees</li> <li>Financial report</li> <li>Risks and opportunities of climate change</li> <li>Impact of climate in our forests</li> <li>Overall focus in business plan</li> <li>Development strategy</li> <li>Owner strategy SunPine AB and Setra Group AB</li> </ul>	<ul style="list-style-type: none"> <li>Report from committees</li> <li>Financial report</li> <li>Audit plan</li> <li>Auditors' review</li> <li>Interim report</li> <li>Significant accounting issues</li> <li>Strategic personnel issues</li> <li>Action in view of changes in bribery legislation</li> <li>Current issue linked to Setra</li> <li>Acquisition legislation</li> </ul>	<ul style="list-style-type: none"> <li>Report from committees</li> <li>Financial report</li> <li>Business plan</li> <li>Budget</li> <li>Investment ceiling</li> <li>Investment matters</li> <li>Insurance policy</li> <li>Finance policy</li> <li>Additional consolidation of corporate structure</li> <li>HR policy</li> <li>The forest policy debate</li> <li>Evaluation of the work of the board</li> </ul>
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
	X	X	X	
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X
X	X	X	X	X



# Sveaskog's Board of Directors



*Göran Persson*



*Eva Färnstrand*



*Thomas Hahn*



*Johan Hallberg*



*Carina Håkansson*



*Birgitta Johansson-Hedberg*



*Anna-Stina Nordmark Nilsson*



*Mats G Ringesten*

## Board members elected at Annual General Meeting

### **Göran Persson**

Chairman of the Board

Born 1949, elected 2008. Prime Minister 1996–2006, Leader of the Social Democratic Party 1996–2007, Minister of Finance 1994–1996, Member of Parliament and Vice Chairman of the Standing Committee on Finance 1993–1994, Member of Parliament and Chairman of the Agricultural Committee 1991–1992 Minister for Schools 1989–1991. Chairman of Remuneration Committee (RC) and Property Committee (PC).

### **Eva Färnstrand**

Born 1951, elected 2008. MSc Eng from the Royal Institute of Technology (KTH). Board member of the Royal Swedish Academy of Engineering Sciences, IVA. Chairman of the Board of Profilgruppen AB and Infranord AB, member of the Board of Indutrade. Previously Plant Manager of Södra Cell Mönsterås, CEO of Tidningstryckarna AB, Business Area Manager SCA. Previous directorships Domsjö

Fabriker, Södra Cell, Handelsbanken's regional bank in Stockholm City and Schibsted Trykk.

### **Thomas Hahn**

Born 1964, elected 2007. PhD Agronomics from the Swedish University of Agricultural Sciences, SLU. Researcher at Stockholm Resilience Centre. Attached to Adaptive Governance. In 2013 also Secretary to the Committee of Inquiry on the Value of Ecosystem Services, M2013:01. Previously Chairman of Economists for the Environment and involved in The Millennium Ecosystem Assessment.

### **Johan Hallberg**

Born 1974, elected 2012. MSc Econ from the Stockholm School of Economics. Employed at Government Offices of Sweden as Investment Director/Under Secretary in the Unit for State Company Administration. Chairman of the Board of Teracom Group AB, Springwell AB and Oak Capital Group AB. Member of the Board of



*Eva-Lisa Lindvall*



*Sture Persson*



*Per Eriksson*



*Kurt Larsson*

Infranord AB. Previously investment baker within HSBC Investment Bank in London, Stockholm Corporate Finance and Lenner & Partners and Board member of Metria AB and Arbetslivsresurs AR AB. Member of the Audit Committee.

#### **Carina Håkansson**

Born 1961, elected 2010. Master of Forestry degree from the Swedish University of Agricultural Sciences, SLU. President & CEO of Dala Kraft. Chairman of the Swedish Forestry Association and member of the Board of Dala Vind AB. Previously CEO of Stora Enso Forest, Assistant Forest Manager/Regional Manager and Head of Communications at Stora Enso Forest. Previously Chairman of Sydved, Chairman of SLA Forest Section, member of the Board of Stora Enso AB and the Forest Industries' Forest Committee.

#### **Birgitta Johansson-Hedberg**

Born 1947, elected 2001. BA, Psychology Degree at Lund University. Chairman of Umeå University and Almi Stockholm AB, Board member of the Swedish Financial Supervisory Authority, Sveriges Radio AB, Pocketstället AB, Rieber & Son ASA, Vectura Consulting AB and Vittec AB as well as Copenhagen Economics. Former President and CEO of FöreningsSparbanken and Lantmännen. Member of the Property Committee (PC).

#### **Anna-Stina Nordmark Nilsson**

Born 1956, elected 2006. BSc Economics. Former CEO of Företagarna, authorised public accountant and manager within PwC, Healthcare Director Stockholm County Council, County Council Director in Norrbotten, CEO of Piteå-Tidningen and Director of Roads. Deputy Chairman of Svenska Kraftnät, Board member of Softronic AB (publ) and Dedicare AB (publ). Since the mid-1990s has had a number of directorships in both listed and unlisted companies, state-owned companies, hospitals, universities, foundations and organisations. Chairman of the Audit Committee (AC).

#### **Mats G Ringesten**

Born 1950, elected 2009. MSc Econ from the Stockholm School of Economics. Member of the Royal Swedish Academy of Engineering Sciences, IVA. Senior Partner Neuman & Nydahl 1996–2011. Previously director and head of Corporate Strategy & Business Development at AB Volvo, Senior Vice President with responsibility for Group Strategy & Business Development at Procordia AB, various leading positions within the Shell Group. Previous directorship include V&S Group, Pandox AB, Kongsberg Automotive A/S, VSM Group and Pharmacia Diagnostics. Member of the Remuneration Committee (RC).

#### **Employee representatives**

##### **Eva-Lisa Lindvall**

Born 1951, elected 2007. Board member, Association of Managerial and Professional Staff. Planning Manager, Sveaskog. Member of the Property Committee (PC).

##### **Sture Persson**

Born 1957, elected 2003. Board member, Swedish Forest and Wood Trade Union. Harvester operator, Sveaskog. Member of the Audit Committee (AC).

##### **Per Eriksson**

Born 1966, elected 2010. Deputy, Akademikerföreningen. Business Manager Property Development.

##### **Kurt Larsson**

Born 1952, elected 2003. Deputy, Swedish Forest and Wood Trade Union. Harvester Operator, Sveaskog.

#### **Auditors**

Audit firm PricewaterhouseCoopers AB with Martin Johansson as Auditor in Charge.

# Group Management



*Per-Olof Wedin*



*Per Matses*



*Nina Arkeberg*



*Monica Berglund*



*Karin Ericsson*



*Fredrik Klang*



*Tommy Nilsson*



*Jens Otterstedt*

## **Per-Olof Wedin**

President and CEO. Born 1955. Employed since 2011. MSc in Mechanical Engineering from the Royal Institute of Technology, KTH. Previously CEO of Svevia, the former National Road Administration Production, Head of Stora Enso business area Uncoated Magazine Paper and Pulp, head of Stora Enso Transport and Distribution Unit, CEO of Grycksbo Pappersbruk, management positions at SCA and Modo. Member of the Board of Setra Group AB.

## **Per Matses**

Deputy CEO and CFO. Born 1958. Employed since 2010. MBA from Örebro University. Previously CFO, Executive Vice President and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank AB and Finance Director at Posten AB. Member of the Board of Setra Group AB the Medical Products Agency.

## **Nina Arkeberg**

PA to the CEO and co-opted member of Group Management. Born 1967. Employed since 2011. MSc in Business Administration and Management. Previous positions include Assistant to CEO of Svevia, the former National Road Administration Production and Assistant to CEO of Stora Enso Grycksbo Bruk.

## **Monica Berglund**

Acting SVP Communications (while Linda Andersson is on parental leave). Born 1961. Employed since 2012. BA in Communications Science from Jönköping University. Previous positions include CEO and Senior Consultant at strategic communications agency Nordisk Kommunikation, Head of Communications at Försäkringskassornas förbund, Posten Sverige AB and Alecta pensionsförsäkring.





*Lena Sammeli-Johansson*



*Herman Sundqvist*



*Hans Welff*

#### **Karin Ericsson**

SVP Human Resources. Born 1956. Employed since 2001. BSc in Sociology from Umeå University. Previously Personnel Manager, Administration Manager, Personnel Secretary and Welfare Officer at Norrbotten County Council. Board member of the SLA Forest Section and Chairman of SLA Norr.

#### **Fredrik Klang**

SVP South Market Area. Born 1970. Employed since 2000. Master of Forestry Science and PhD from the Swedish University of Agricultural Sciences. Previous positions include Regional Manager Sveaskog Götaland, District Manager Sveaskog Västra Götaland and Head of Silviculture Västra Götaland, AssiDomän Forestry.

#### **Tommy Nilsson**

SVP North Market Area. Born 1954. Employed since 1999. Master of Forestry Science from the Swedish University of Agricultural Sciences. Previous positions include Forest Manager at Domänverket (the Swedish Forestry Service), CEO of sawmills and Account Executive at AssiDomän in Northern Norrbotten, Market Area Manager at Sveaskog in Norrbotten. Member of the Board of Bottenvikens Stuveri AB and ESS.

#### **Jens Otterstedt**

SVP Properties. Born 1967. Employed since 2008. Master of Forestry Science from the Swedish University of Agricultural Sciences. Previous positions include consultant at McKinsey & Company and Pöry Consulting. Member of the Board of SunPine AB.

#### **Lena Sammeli-Johansson**

CEO of Svenska Skogsplantor AB. Born 1959. Employed since 1985. Master of Forestry Science from the Swedish University of Agricultural Sciences. Previous position at Svenska Skogsplantor including Nursery Manager, Regional Manager of south Norrland and Marketing Manager. Chairman of the Committee for Seedling Protection in Forestry and the Swedish Forest Nursery Association.

#### **Herman Sundqvist**

SVP Forestry. Born 1963. Employed since 1994. Master of Forestry Science and PhD from the Swedish University of Agricultural Sciences. Previous positions include Forest strategy manager for Sveaskog and Silviculture manager for AssiDomän Forestry. Chairman of Skogforsk and member of the Board of Setra Group AB and KSLA. Member of the Forest Industry's Forest Committee.

#### **Hans Welff**

SVP Central Market Area. Born 1958. Employed since 1990. Master of Forestry Science from the Swedish University of Agricultural Sciences. Previous positions include Regional manager, Sveaskog Norra Bergslagen and Silviculture manager for AssiDomän Forestry, Bergslagen.

**Sveaskog AB, reg. no. 556558-0031**

**Stockholm**

Torggatan 4  
SE-105 22 Stockholm  
Tel +46 8 655 90 00

**Kalix**

Torggatan 4  
Box 315  
SE-952 23 Kalix  
Tel +46 923 787 00

[www.sveaskog.se](http://www.sveaskog.se)

**Contact:**

Charlotte Jönsson  
[charlotte.jonsson@sveaskog.se](mailto:charlotte.jonsson@sveaskog.se)  
Tel: +46 8 655 92 74

**This is FSC®**

---

FSC® is an independent international organisation for certification of responsible forestry. The aim is socially beneficial, environmentally appropriate and economically viable responsible forest management. FSC®'s logotype on products represents independent certification of forestry and product manufacturing according to FSC®'s rules.



The mark  
of responsible  
forestry

**SVEASKOG**