

ANNUAL AND SUSTAINABILITY REPORT

2022



Maximizing value creation in and from the forest



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The formal annual report comprises pages 60–73, 84–138 and 174. The scope of the Sustainability Report in accordance with the Swedish Annual Accounts Act is described on page 64. The Sustainability Report according to GRI is summarized in the GRI content index on pages 182–183. The Corporate Governance Report is on pages 74–83 and the remuneration report is on pages 180–181.



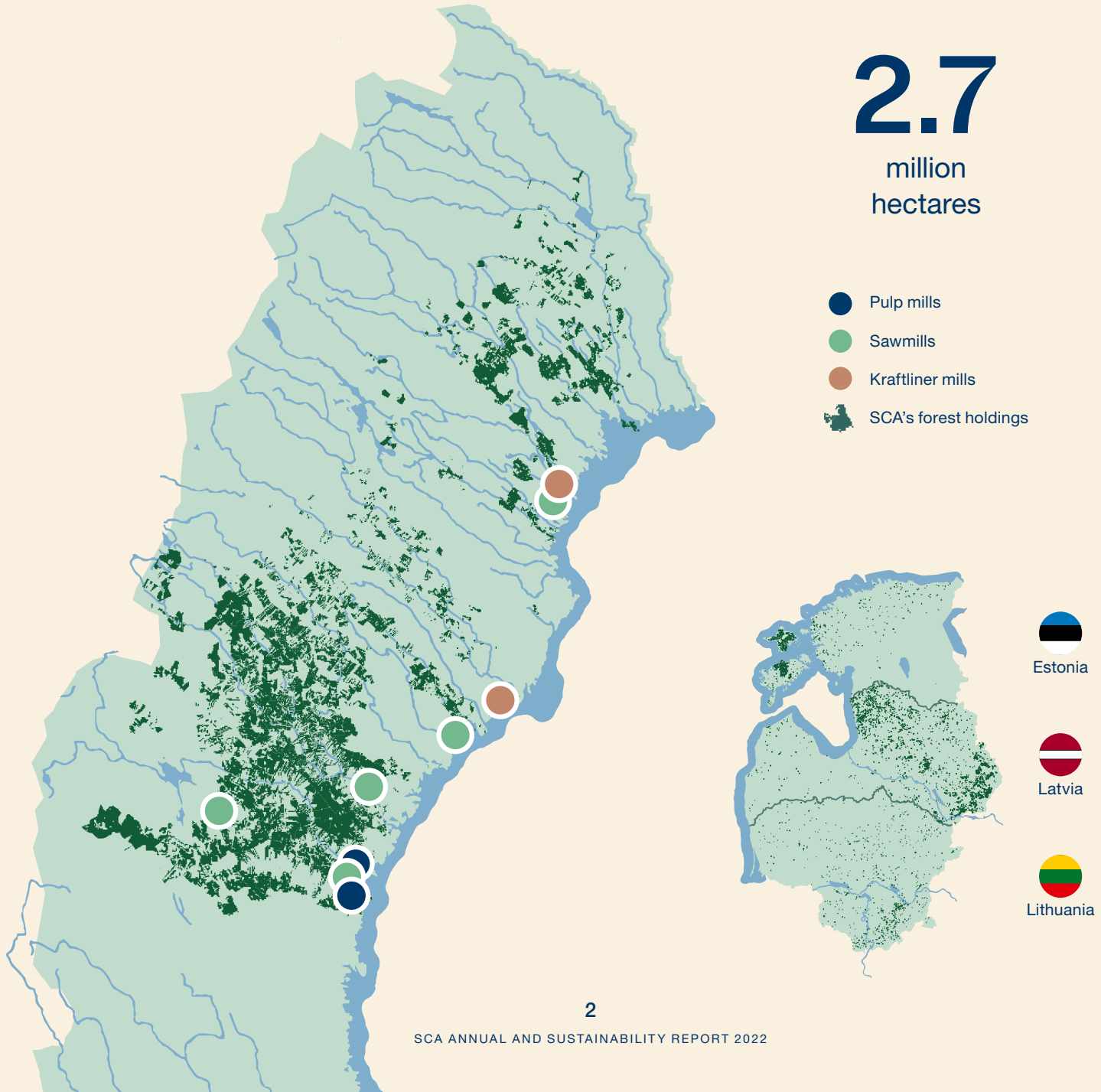
THIS IS SCA

Europe's largest private forest owner

SCA is Europe's largest private forest owner with 2.7 million hectares of land in northern Sweden and the Baltic region. Based on this unique resource, SCA generates the maximum possible value in the forest and from the forest.

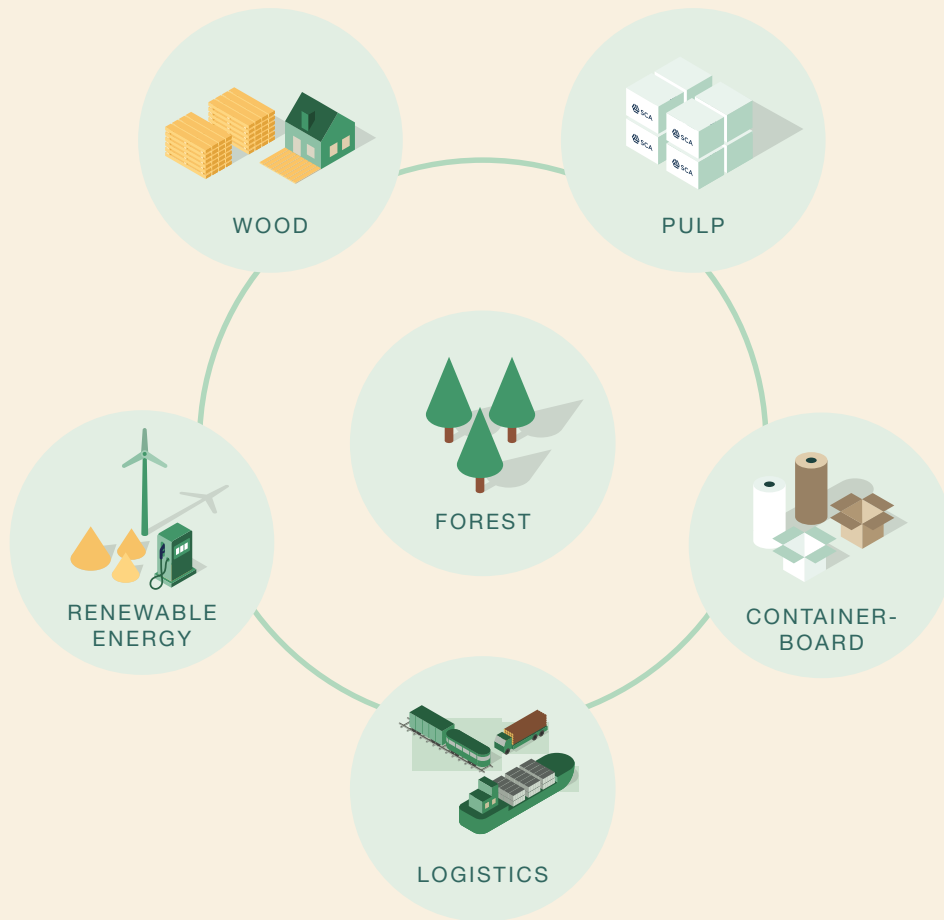
2.7
million
hectares

-  Pulp mills
-  Sawmills
-  Kraftliner mills
-  SCA's forest holdings



This is SCA

The forest is at the core of SCA's operations. SCA has built an integrated and well-invested industry around this renewable resource, utilizing and maximizing the value of the entire tree. Using this raw material, SCA develops products for customers all around the world.



Forest

The forest is at the core of SCA's operations. With the forest as a foundation, SCA has built an industrial ecosystem that maximizes value creation in and from the forest.

Wood

Two thirds of the revenue for forest owners come from sawmills. A competitive sawmill industry is the economic engine of a forest business and creates the conditions for a competitive fiber-based industry.

Pulp

Any wood unsuitable for use in solid-wood products is used to make pulp. A pulp mill also produces, for example, green chemicals, green electricity, heating and raw materials for biofuels.

Containerboard

SCA produces containerboard – paper for transport packaging. An integrated paper mill produces, for example, green chemicals, green electricity, heating and raw materials for biofuels.

Renewable Energy

From the raw materials that are not used for solid-wood products, paper, or pulp, SCA produces energy, green electricity, biofuels and green chemicals. SCA's forests offer favorable sites for wind power production.

Logistics

Efficient logistics are crucial for a forestry company. Raw materials must be shipped cost-efficiently to industrial facilities and products must be delivered to customers worldwide.



The year at a glance

SCA's earnings in 2022 were the best ever. This was achieved through robust demand, high prices and good cost control with a high level of self-sufficiency in wood, energy and logistics.



THE YEAR AT A GLANCE

Net sales
20,794
SEKm

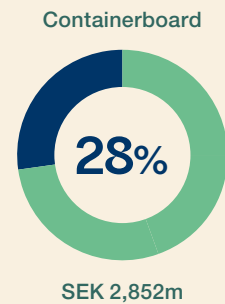
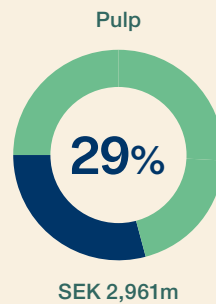
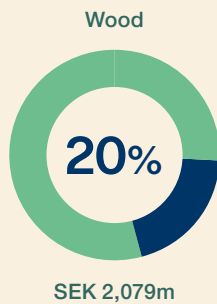
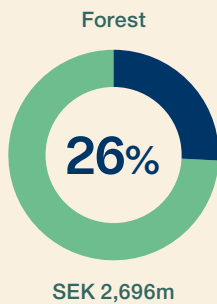
EBITDA
10,194
SEKm

EBITDA margin
49%

Earnings per share
9.61
SEK

Dividend per share
2.50
SEK

EBITDA, share of Group¹⁾



¹⁾ SEK -394m is recognized in Other.

Key figures

SEKm	2022	2021
Net sales	20,794	18,822
EBITDA	10,194	9,109
EBITDA margin, %	49.0	48.4
Operating profit	8,642	7,634
Operating margin, %	41.6	40.6
Profit for the period	6,821	6,101
Earnings per share, SEK	9.61	8.46
Proposed dividend per share, SEK	2.50	3.25
Operating cash flow	5,685	5,216
Strategic capital expenditures	4,351	3,723
Capital employed	106,347	90,807
Industrial return on capital employed, %	40.1	33.0
Net debt/EBITDA	1.0x	0.9x

SEKm	2022	2021
Average number of employees	3,313	3,577
Accidents, LTA per million hours worked	3.1	5.8
Climate benefit, million tonnes of CO ₂	10.1	10.5

◀ SCA is Europe's largest private forest owner. SCA's forests are managed to both generate a high level of timber production and to preserve the forest's conservation values.



WHY INVEST IN SCA?

Europe's largest private forest holding with an integrated value chain that creates profitable growth

With 2.7 million hectares of land, SCA is Europe's largest private forest owner. Around this renewable resource, SCA has built a well-invested value chain that maximizes the value of each tree. Combined with a high degree of self-sufficiency and a robust project portfolio, this enables long-term and increasing returns for SCA's shareholders.

Wind power yields stable income for SCA. At the same time, a wind farm entails very limited restrictions for forest operations.

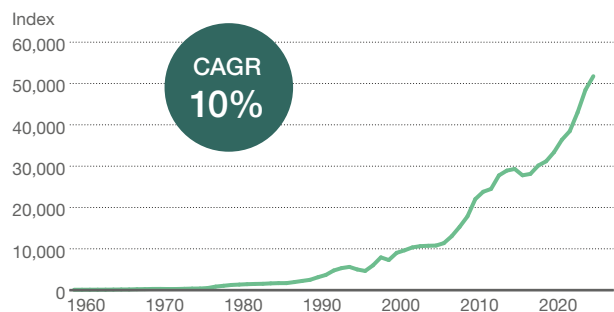


Stable and profitable value growth over time

With 2.7 million hectares of land, SCA is Europe's largest private forest owner. Forest is a real asset that protects against inflation and generates stable profitability and value growth. Since 1956, the forest assets have provided an annual total return of about 10%.

[Read more on page 29.](#)

Total return, forest in Sweden (index 1956–2021)



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



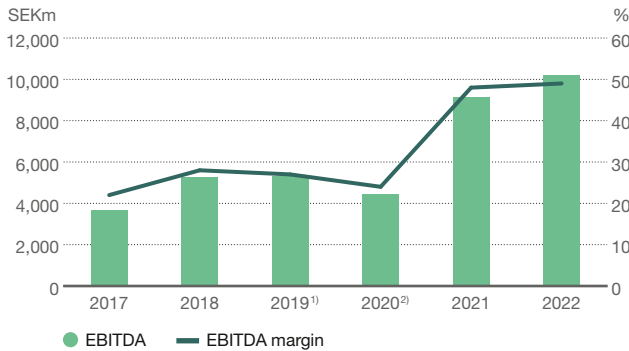
WHY INVEST IN SCA?

A robust project portfolio that ensures competitive returns

SCA is a forest company with modern, well-invested industries close to the forest holding. Important investments in the future are taking place in all product areas that increase production, quality and competitiveness. The robust project portfolio comprising strategic capital expenditures in forest and industry guarantees long-term competitive returns.

Read more on pages 22–23.

EBITDA and EBITDA margin



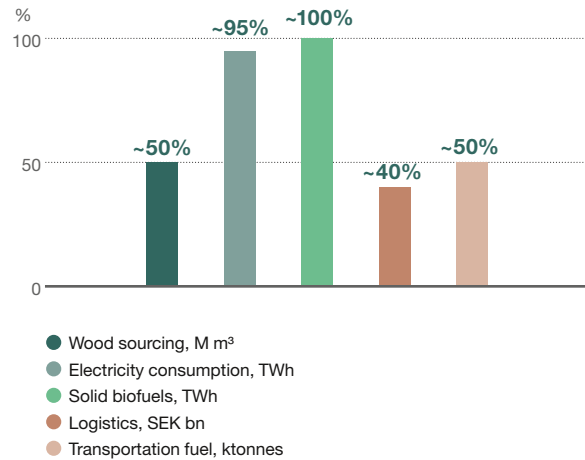
¹⁾ Excluding the impact of the changed accounting method for the valuation of forest assets.
²⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

High degree of self-sufficiency provides stability in the cost base

SCA uses the entire tree in an industrial ecosystem, ensuring efficient use of resources with a high degree of self-sufficiency in wood, energy and logistics that largely counteracts cost increases. In parallel, competitive industries have a high payment capacity for wood raw material and guarantee the long-term value of the forest.

Read more on pages 20–21.

Degree of self-sufficiency by area

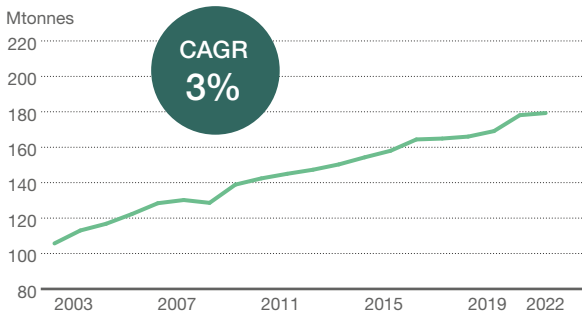


SCA's products are meeting rising demand and contribute to a more sustainable society

There is growing, long-term demand for all products manufactured by SCA and these products also meet rigorous sustainability and quality standards. Renewable products, such as solid-wood products, bio-fuels and packaging paper, made using trees from SCA's forests can replace fossil fuels, plastics and concrete. SCA's products and forest have an increasingly important role to play in the transition to a more sustainable society.

Read more on pages 24–47.

Global demand for Containerboard



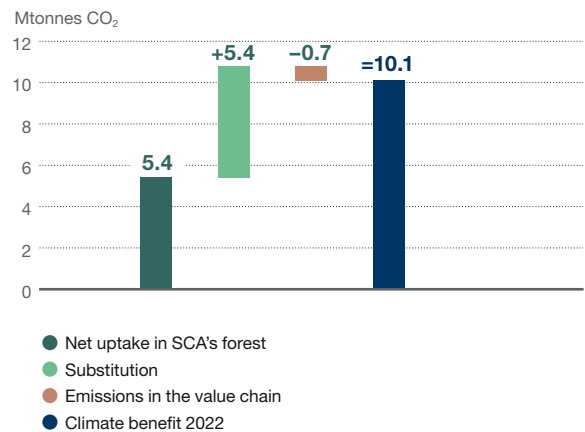
Source: Numera

SCA contributes climate benefits that exceed the emissions generated by all passenger cars in Sweden.

Growing forest binds CO₂. Combined with higher production of renewable products and investments in sustainable technology, SCA's climate benefits are increasing. In 2022, total climate benefits from SCA's forest and manufacturing industries amounted to 10.1 million tonnes of CO₂. SCA is also one of Europe's leading producers of bioenergy, a renewable energy source that helps to mitigate climate change.

Read more on pages 16–17.

SCA's climate benefit 2022





A robust company well prepared for the future

In 2022, SCA reported its best-ever earnings and is thus well positioned for future opportunities and challenges. Over the next few years, a number of strategically important projects will be ramped up, contributing to increased growth and strengthening the company's cash flow and earnings generation. Increased production of packaging paper, pulp, solid-wood products, bio-fuels and wind power are also all good examples of how SCA is making a proactive contribution to the necessary transition to a fossil-free and sustainable society.

SCA's operations are based on a secure, sought-after and scarce resource – the forest – and on a well-integrated value chain where each link strengthens the others and where the sum equals more than the parts. Our high degree of self-sufficiency in wood, energy and logistics contributes to stability and good profitability – especially in times of uncertainty. A consistently robust balance sheet, despite the implementation of several strategic investment projects in recent years, reflects genuine strength.

High degree of self-sufficiency

In times such as these, we see the great value of a high degree of self-sufficiency in key areas. This is not only about timber supply, where half of the raw materials are sourced from our own forests. It is also about our almost complete self-sufficiency in electricity, at a time of high and volatile electricity prices. Our transition from using fossil oil to fossil-free biofuel in our industrial processes not only reduces our climate impact but also means we can supply industrial facilities with our own energy. This is particularly important at a time of rising energy prices.

We also have control over a substantial share of our logistics as European and global logistics systems are disrupted by the pandemic, EU regulations reduce the availability of trucks, and prices for road and marine fuels are high. When it comes to opportunities to counteract the negative impact of increased fuel prices, we have our own production and delivery of feed-stock fuel in the form of tall oil, which accounts for almost half of our own fuel needs.

SCA has approximately 20% of Sweden's installed wind power capacity on its land. If we are to continue to ensure a high degree of energy self-sufficiency, even as we gradually grow our industrial operations, it is important that we utilize this potential.

Projects on schedule and budget

We have an extensive and ongoing investment program encompassing billion-krona investments to enhance the efficiency and expand the production of packaging paper, pulp, solid-wood products and biofuels. We are purchasing forest land and investing in our own wind power. We are further strengthening our logistics chain with investment in a new container port.

Our investments are well prepared and executed by an experienced and competent project organization. "On time and on budget" is how our ongoing projects are generally described in our reports.

And last, but certainly not least – our investments are funded with our own strong cash flow.

Increased production of renewable energy

Efficient management of energy and making the most of the energy potential in our operations have always been a top priority. From the earlier focus on our own energy supply, we have increasingly developed a business operation that is aimed at an external market. We are investing in production and further processing and see that the size, profitability and commercial performance of the operations have reached a level that justifies our decision to report our activities in the Renewable Energy business area as a separate segment from January 1, 2023. In December, we acquired our first wind farm and, in parallel, opened up for continued investment in our own wind power production.

The potential of Renewable Energy is significant, and is emphasized by the climate transition and also the energy crisis resulting from Russia's invasion of Ukraine, and with this the growing understanding of the need to strengthen the regional supply chains.

Forests and renewable products yield substantial climate benefits

Renewable energy is also a crucial resource when society and the world must adapt to combat climate change, which is becoming increasingly obvious and dramatic.

The forest contributes in several ways in these efforts. Growing trees capture CO₂ from the air – the better they grow, the more CO₂ they capture. As trees mature, they are harvested and made into products and fuels that replace alternatives based on finite and fossil raw materials. Where the harvested trees once stood, new seedlings are planted that grow into new trees. In 2022, SCA contributed a climate benefit of 10.1 million tonnes of CO₂, representing an important contribution to global efforts to combat climate change.

In addition to this, there is wind power. For historical reasons, SCA owns forest on high land between Norrland's river valleys that provide excellent wind conditions. Renewable electricity is a crucial resource when society must transition in all areas to a more sustainable future.

All forest values

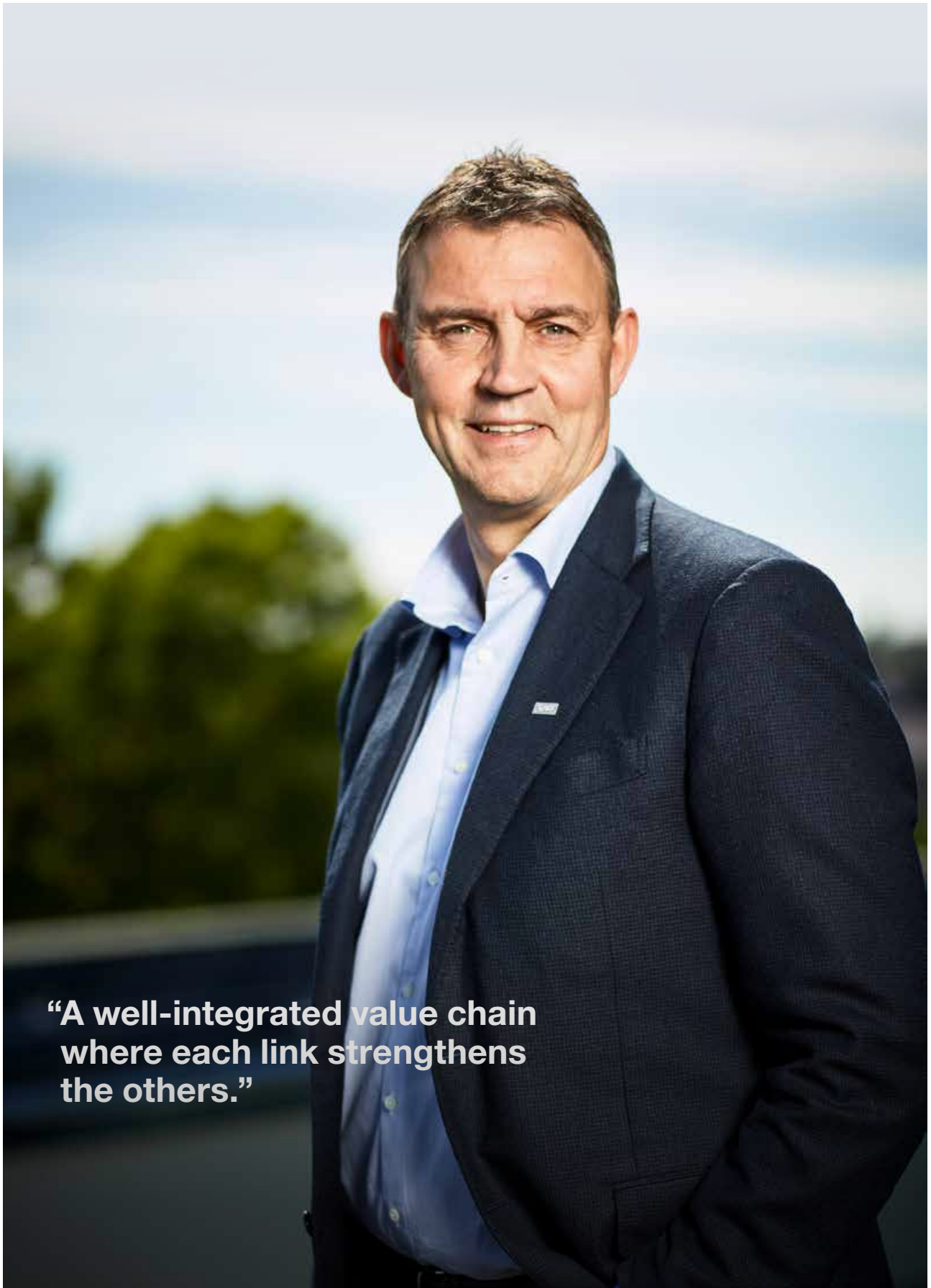
We nurture and manage the forest to ensure the gradual increase of its contribution to a sustainable future. Concurrently, we create thousands of jobs in northern Sweden, make a tangible contribution to a positive trade balance and nurture all of the forest's other values, its biodiversity, nature experiences offered by the forest and the forest as a base for other businesses.

As a shareholder in SCA, you own a portion of SCA's forests and are part of the positive future toward which they contribute.

Ulf Larsson
President and CEO



CEO'S MESSAGE



**“A well-integrated value chain
where each link strengthens
the others.”**

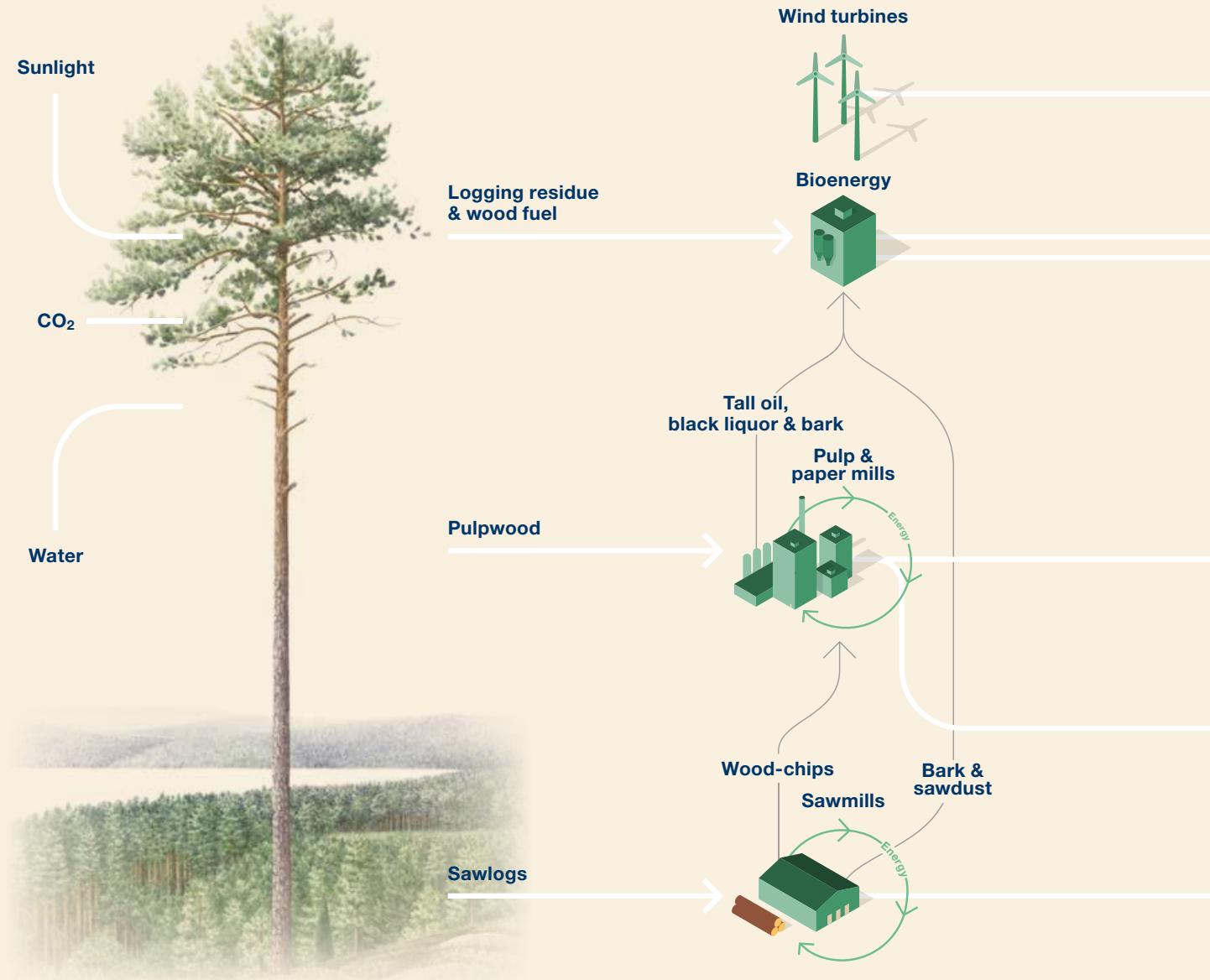
We support the UN Global Compact and its principles.



SCA generates value in and from the forest

The forest forms the foundation for operations...

...and is processed in well-invested industries...



The forest forms the foundation for SCA's value creation. Using carbon dioxide, water and sunlight, trees build wood fiber. Correctly managed, the forest is a perpetual resource.

SCA's forests are managed with a broad range of expertise to be as rich in biodiversity, experiences and timber in the future as they are today.

The forest is managed to become sawlogs, the most valuable part of the tree. All timber that can be turned into solid-wood products is also used for this purpose. By-products from the forest and sawmills are used in fiber products and for energy.

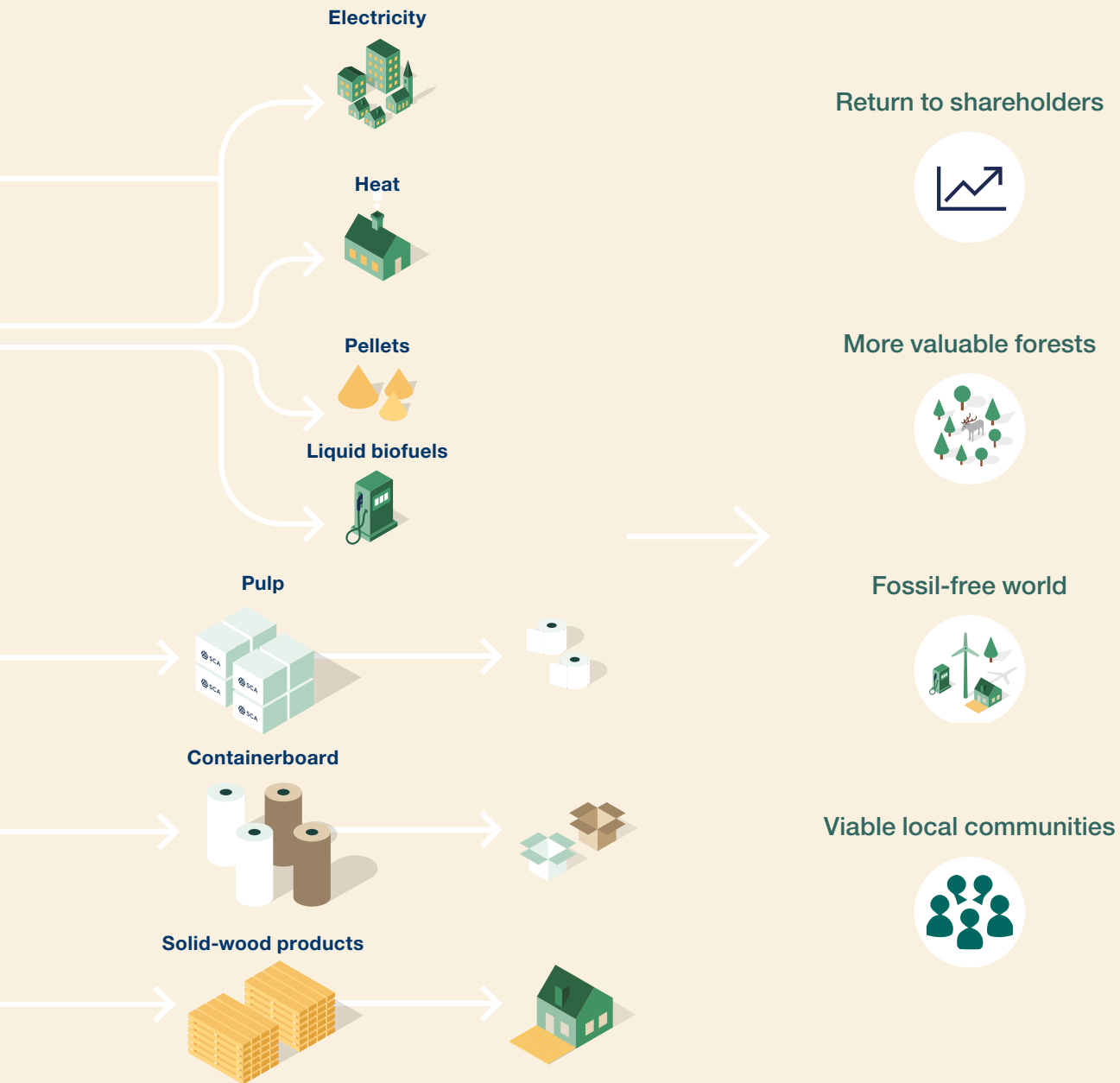
To create the highest possible value, SCA has built a value chain comprising well-invested and competitive industries that can pay well for timber produced by the company and other forest owners.



THE INTEGRATED VALUE CHAIN

...that produce renewable products...

...and generate value in society



SCA offers products that replace alternatives with a greater environmental and climate impact, thereby contributing to customers' success and sustainability.

A competitive industry and growing, well-maintained forests provide the company's owners with favorable returns, while preserving biodiversity and other environmental values. The business creates employment and income for forest owners, contractors, employees, customers and local communities while simultaneously benefiting the climate.



The forest – everlasting and dynamic

The forest forms the foundation for SCA's value creation, a truly renewable resource. Using carbon dioxide, water and sunlight, trees build wood fiber. Correctly managed, the forest is a perpetual resource.

Active nature conservation – there are species that require special habitats such as burnt wood or old deciduous trees – conditions that require active intervention. SCA works systematically to ensure a variety of habitats in the landscape.

Forest areas with high conservation values – SCA conducts inventories of its forests and prepares ecological landscape plans to set aside forest areas that have high conservation values or contain species that require undisturbed conditions.



Regeneration – site preparation and planting normally take place after harvesting. There is also a great deal of natural regeneration, particularly of deciduous trees, which then become part of the new stock.

Pre-commercial thinning – after harvesting, there is usually a strong natural regeneration of deciduous trees. Given that softwood trees yield more sustainable timber production and produce more valuable timber, most deciduous trees are removed from the stand after 10–15 years. Some deciduous trees are retained for variation and diversity.

FOREST AND CLIMATE

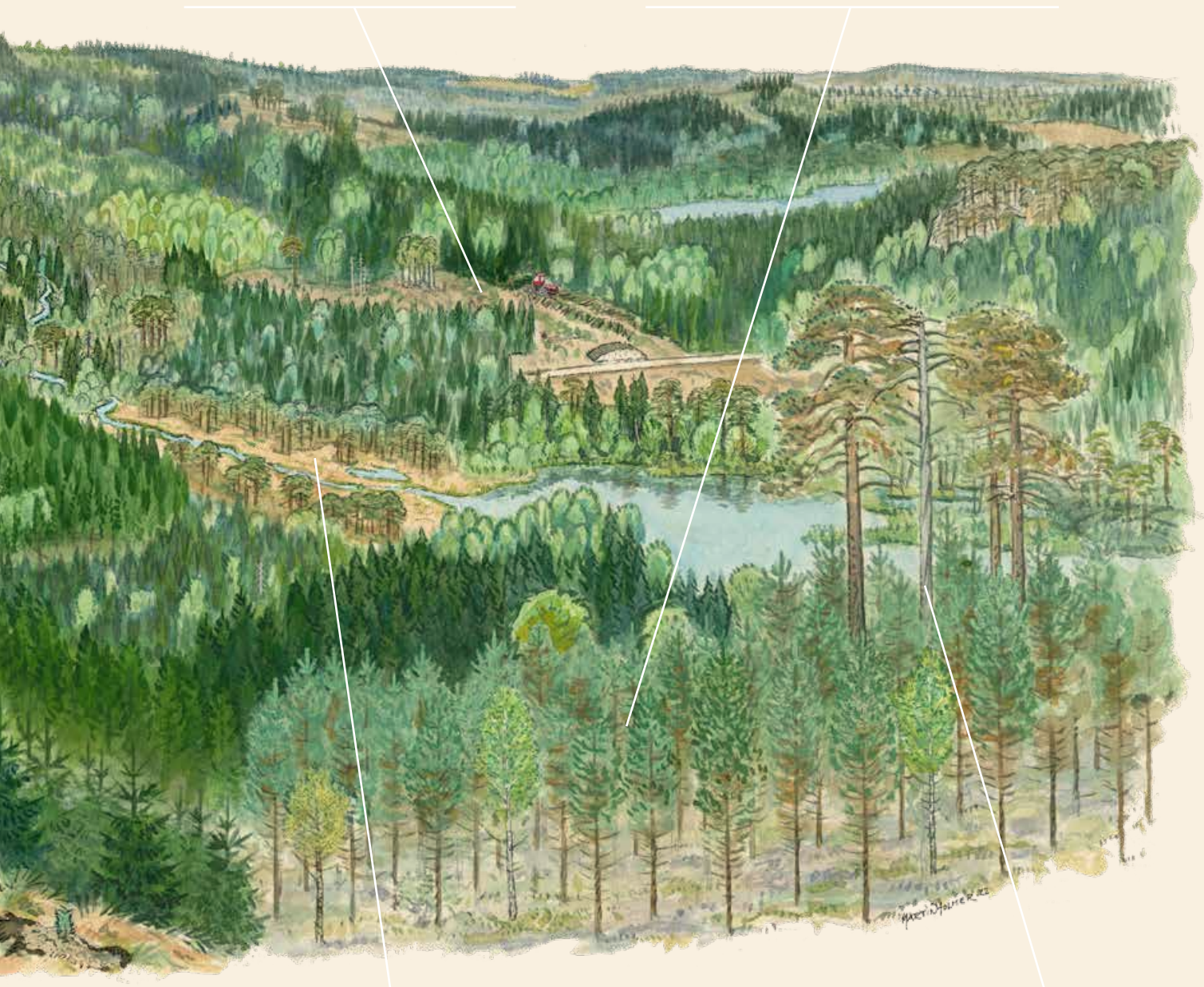
SCA's forests have a rotation period of 80–120 years. Only a small percentage of the forest is affected by final felling, planting, pre-commercial thinning or commercial thinning every year. The forest stands and grows for the better part of a century.

When trees grow, they produce wood from carbon dioxide, water and soil nutrients using sunlight as energy. As trees age, their rate of growth slows, and they ultimately die and decompose, releasing the carbon dioxide back into the atmosphere. One in five trees in SCA's produc-

tive forests is left to live, die a natural death and become food and a habitat for insects, wood-decay fungi and woodpeckers.

Harvesting with variable on-site retention – approximately 1% of SCA's productive forest land is harvested every year.

Thinning – the forest is thinned once or twice over a rotation period to allocate growth to the most valuable trees. In the thinning operations some on-site retention is applied, and deciduous trees, for example, may be left untouched.



Non-productive land – forest land with a low level of productivity, such as mires, rock faces and swamp forests, can be found everywhere in the forest landscape and is not cultivated. More than 20% of SCA's land is low-productive land. A large portion of this is covered in forest.

On-site retention – part of the old stand is retained in all harvesting operations – buffer zones, tree groups, individual dead and living trees. This helps forest species to transition from the old forest to the next generation of forest.



HOW A WIND ENERGY SYSTEM WORKS

How a wind energy system works

Wind power is renewable. Onshore wind is the cheapest method of producing electricity on a large scale. The renewable electricity produced quickly compensates for the fossil emissions caused in connection with its construction.

Produces electricity from wind speeds between 4 and 25 m/s

Up to 45% of the wind energy is converted into electricity

The wind energy is transferred from the rotor blades to the generator that produces electricity

A modern turbine produces approximately 20,000 MWh per year





HOW A WIND ENERGY SYSTEM WORKS

A wind turbine

Up to 250 meters tall – the higher a wind turbine is, the greater the production of renewable electricity. Partly because there is more wind at higher altitudes, and also because larger blades with greater blade diameters can then be installed that catch more wind. A 250-meter wind turbine produces four times the electricity of a 150-meter wind turbine.

Production is generally higher during the winter months compared with the summer, as wind conditions are more favorable during the winter months.

A 250-meter-high wind turbine has an output of 6.5 MW and normally produces about 20,000 MWh of renewable electricity per year, sufficient to heat approximately 1,000 homes.

A wind farm

Comprises a number of wind turbines placed in a landscape to make the best possible use of the prevailing winds.

Forest between the wind turbines can be used for forestry, recreation such as hunting or nature conservation purposes.

One connection point

A wind farm must be joined to the national grid where electricity from the wind farm can be effectively distributed.

A wind energy system

Electricity production in a wind farm must be supplemented by other dispatchable sources of electricity.

Since electricity must be produced when it is used, other electricity production or some form of electricity storage must be used when there is no wind.

Electricity production can also be connected to some form of electricity-intensive use that can vary depending on wind energy production, such as hydrogen production. Hydrogen can then be considered a method to store wind power.

At the end of 2022, Sweden had wind power production capacity of 33 TWh, approximately 20% of Sweden's total capacity for electric power generation.

Even if Sweden's electricity production is largely fossil-free, Sweden delivers electricity to neighboring countries where electricity is produced from gas, oil and coal. 1 TWh of renewable wind power electricity replaces fossil-based electricity equivalent to 241,000 tonnes of CO₂ (European average).

SCA and wind power

Large areas of SCA's forest land in northern Sweden are very suitable for wind turbines. SCA's large land holdings mean the company is well positioned for the rapid expansion of wind power on the company's land. At the end of 2022, 685 wind turbines were operating on SCA's land with total annual production of 7.2 TWh, approximately 20% of Sweden's total wind power production.

Since 1997, SCA has leased land for wind power projects and is now developing the wind power business through its own projects, projects to upgrade existing wind farms (repowering) and acquisition of existing wind farms.

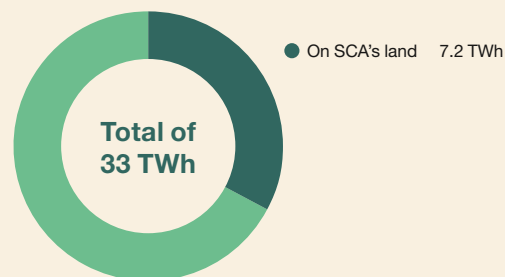
SCA is working with partners to develop wind power production, from preparations and the permit process to managing wind farms in operation. SCA intends to invest in its own wind power portfolio and acquired its first wind farm in 2022 in Markbygden, Piteå Municipality, consisting of a total of 36 turbines.

Wind power technology has evolved substantially over the past ten years – with better turbines, larger generators and larger blade diameters – which means more installed power. Consequently, there is considerable potential in existing farms to replace old turbines with fewer, modern turbines with a greatly enhanced capacity. SCA can see significant opportunities in

repowering, which means replacing older wind turbines in existing wind farms with modern wind turbines with a significantly higher production capacity.

In northern Sweden, new facilities are being planned and commissioned to manufacture fossil-free steel, batteries and other energy-intensive operations. Through new wind power initiatives and repowering projects, SCA can help to secure the supply of renewable electricity in the region and also help to ensure competitiveness and jobs.

Production capacity for wind power in Sweden:

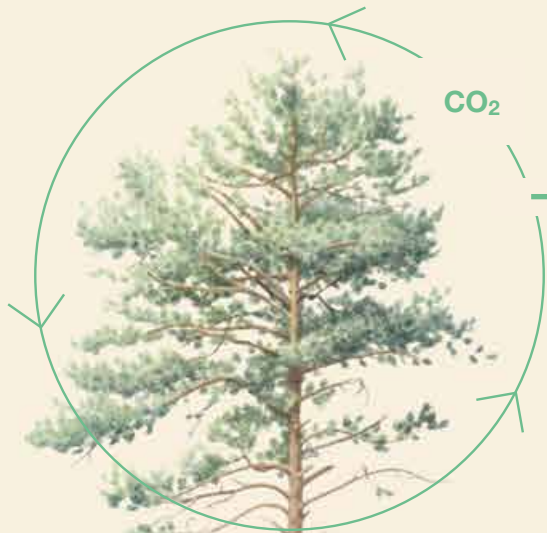


SCA's climate benefit

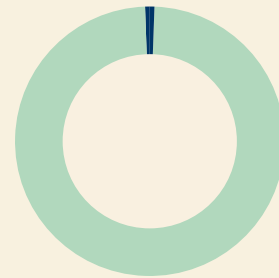
SCA's well-maintained and growing forests bind CO₂. An increasing net volume of carbon is bound when growth is higher than harvesting. Harvested timber is used in products that replace alternatives that leave a much bigger carbon footprint. The renewable wind power on SCA's land also makes a positive contribution to the climate transition.



Growing forest binds CO₂



SCA borrows biomass from nature's green carbon cycle to make products.



● Carbon store 99%
● Harvesting 1%

Active forest management encourages growth

- Improved seedlings
- Active forest management
- Contorta pine
- Fertilization

Growing trees capture and bind carbon dioxide (CO₂). The more they grow, the more carbon they bind. With net growth in SCA's forests, this carbon store is constantly increasing in growing forests.

SCA utilizes part of this growth as renewable raw material to manufacture products that replace alternatives that leave a much bigger carbon footprint. Thereby, fossil carbon can stay in the ground and forests can remain vigorous and growing.



SCA'S CLIMATE BENEFIT

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



Net sequestration in the forest
million tonnes of CO₂e

5.4



● Net uptake in own forest

Substitution
million tonnes of CO₂e

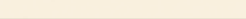
2.8
1.8
0.8



● Solid-wood products
● Pulp and paper
● Bioenergy

Emissions in the value chain
million tonnes of CO₂e

① -0.26
② -0.05
③ -0.43



● Scope 1, direct emissions
● Scope 2, purchased electricity and energy
● Scope 3, purchased goods and services

SCA's climate benefit
million tonnes of CO₂e

10.1



● SCA total

SCA's growing and well-maintained forests bind carbon dioxide.

SCA's renewable products replace alternatives that leave a much bigger carbon footprint.

Total emissions of fossil carbon in the value chain, from forest operations to customers.

The climate benefit from SCA's operations corresponds to more than the emissions from all of Sweden's passenger cars.

For more information, refer to Sustainability facts on pages 157–159.



SCA continues to stand strong in a turbulent global environment

OPERATING ENVIRONMENT

SCA's high degree of self-sufficiency means the company has control of supply chains when the macro environment is being shaken by an energy crisis in Europe, global inflation and Russia's invasion of Ukraine. In parallel, demand for forest products and renewable energy continues to increase in the long term.

High degree of self-sufficiency ensures a strong position for SCA

In several areas, demand is growing for SCA's products and the company's competitiveness is strengthening. One important explanation is that SCA's self-sufficiency in wood raw materials and energy means the company has limited exposure to macro-environmental risks.

Russia's war of aggression on Ukraine has had a dramatic impact worldwide. Falling gas deliveries from Russia have led to a radically changing landscape for customers and competitors in Europe. Demand for alternative fuels, such as pellets, has increased dramatically. The competitive relationship has changed between fresh fiber-based kraftliner, with a high level of internal energy supply, and recovered fiber-based testliner, which as a rule uses gas as an energy source. Restrictions on Russian exports have resulted in the disappearance of Russian and Belarusian solid-wood products from European markets. Truck drivers and forest management personnel from Ukraine are involved in the war and not available for work in the West. These factors are impacting all companies, but during the year SCA demonstrated a good ability to handle the situation and is therefore in a good position for the future.

Historically high demand for the company's biofuels

The energy crisis and the war are closely linked. The crisis has led to increased competition for energy, particularly gas, but also electricity, fossil fuels and biofuel. Demand for SCA's biofuels is at a historically high level.

Own logistics provide good resilience for SCA

Inflation is rising in the wake of the government subsidies due to the pandemic and price increases arising from the war. The world's central banks are attempting to combat this through interest rate hikes. As a result, households are being forced to reduce consumption, public and private sector investments are declining and there is a risk of recession.

For SCA, this may lead to a reduction in demand for construction materials and packaging paper, but also the postponement of investments by competitors to increase production.

Higher fuel prices and a number of other factors are driving up costs for transportation and distribution. At the same time, a weaker economic situation alleviates some of the problems associated with resource shortages and imbalance in the area of logistics. With its own logistics organization, SCA can counter any imbalances in the transportation market.

SCA combats climate change

Dramatic weather events such as drought, flooding and severe storms have emphasized the seriousness of climate change. Efforts to combat climate change are continuing and products and fuel from renewable raw materials, such as the forest, have a key role to play in this work.

Demand for SCA's biofuels is at a historically high level.



◀ The climate is the key long-term issue of our time. Well-maintained forests bind CO₂ and renewable products reduce emissions of fossil CO₂.



Self-sufficiency offers greater security and control

SCA has a high degree of self-sufficiency through its integrated value chain. Alongside the ready availability of forest raw materials from its own forests, SCA is well placed to ensure cost control through its own energy production and logistics operations.



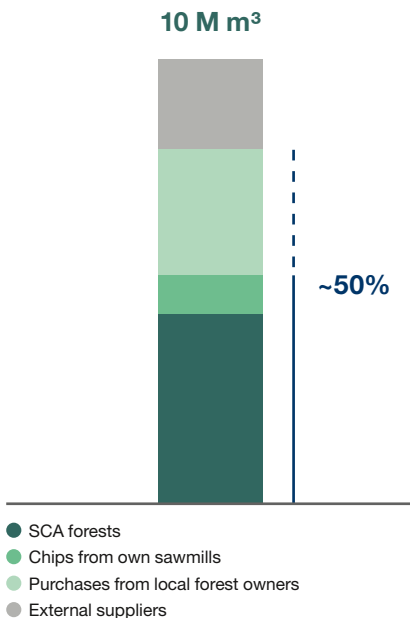
Wood sourcing



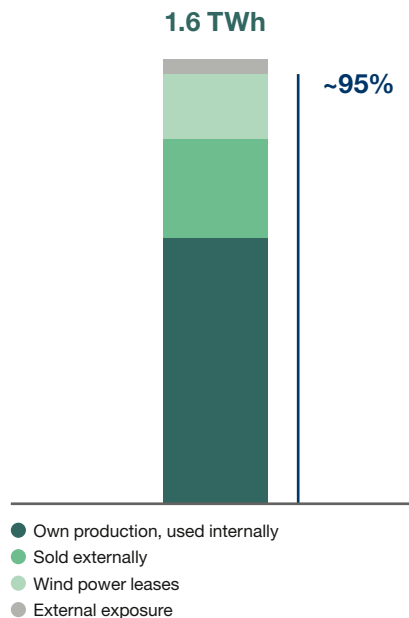
Electricity consumption



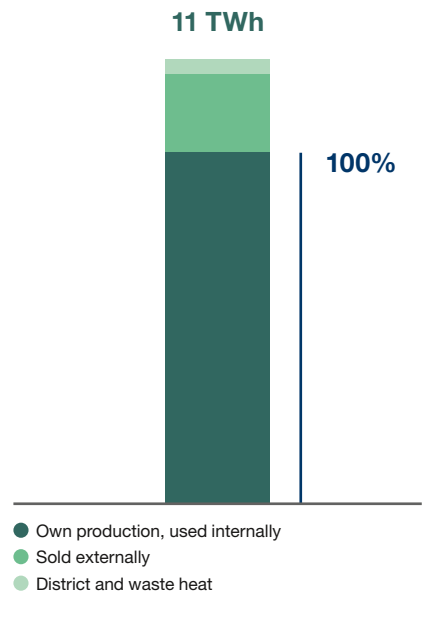
Solid biofuels



About 50% of SCA's raw material needs are provided by wood from the own forests and woodchips from its own sawmills.



SCA's industries manufacture green electricity corresponding to approximately 1% of Sweden's consumption. Green electricity is also produced by wind power on SCA's land.



As one of Europe's largest manufacturers of biofuel, SCA is more than self-sufficient. Biofuel not used by SCA is sold externally.

— SCA can influence
- - - SCA can partially influence



STRATEGY

The forest is at the core of SCA's operations. SCA has built an ecosystem of industries around this, which utilizes and maximizes the forest's value. A high level of self-sufficiency for wood raw material provides security of supply and cost control. It also provides a basis for long-term and strategic development.

Energy is another area where SCA has a high degree of self-sufficiency or provides a surplus to the market. The production of green electricity in own facilities and lease income from own wind power largely cover the electricity consumption. With production that is in balance with SCA's own consumption, a level of cost security is achieved in periods of fluctuating electricity prices.

In respect of biofuel, SCA has a significant surplus to offer customers outside the company. There is untapped potential in this area when demand increases for renewable energy as an alternative to gas and other fossil sources.

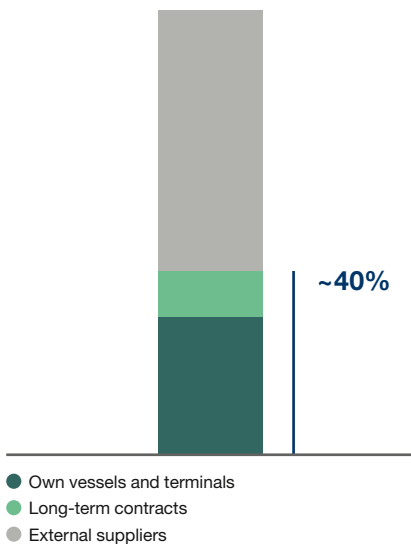
After several years with widespread disruption in global and European logistics chains, significant value can be gained by having an own logistics organization to maintain the supply of raw materials and input goods and to guarantee secure customer deliveries.

SCA also has a substantial buffer in respect of transportation fuels, albeit not directly via an in-house supply. Through the delivery of tall oil for fuel production, SCA is partly compensated for high fuel costs. By increasing the involvement in liquid biofuel, cost control will be enhanced further.



Logistics

SEK 2.8bn

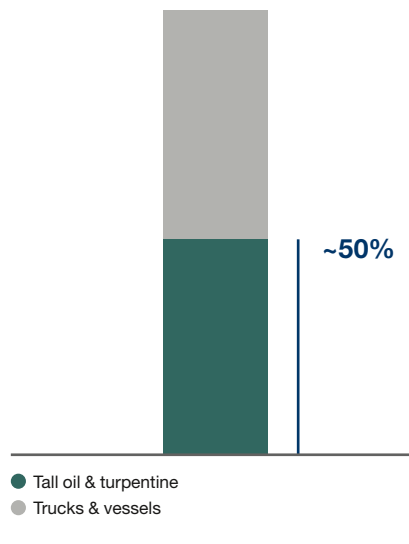


SCA has its own logistics organization that operates its own vessels and terminals and helps SCA to counter market turbulence and secure customer deliveries.



Transportation fuel

100 ktonnes



SCA is investing in a biorefinery in Gothenburg to produce liquid biofuel. Tall oil – a by-product from pulp production – is a raw material.



Strategic project portfolio increases SCA's value

With the overall goal to maximize value creation, SCA uses a long-term and systematic approach to developing its value chain. Investments in the industrial structure must be profitable on their own merits and add value throughout the chain.





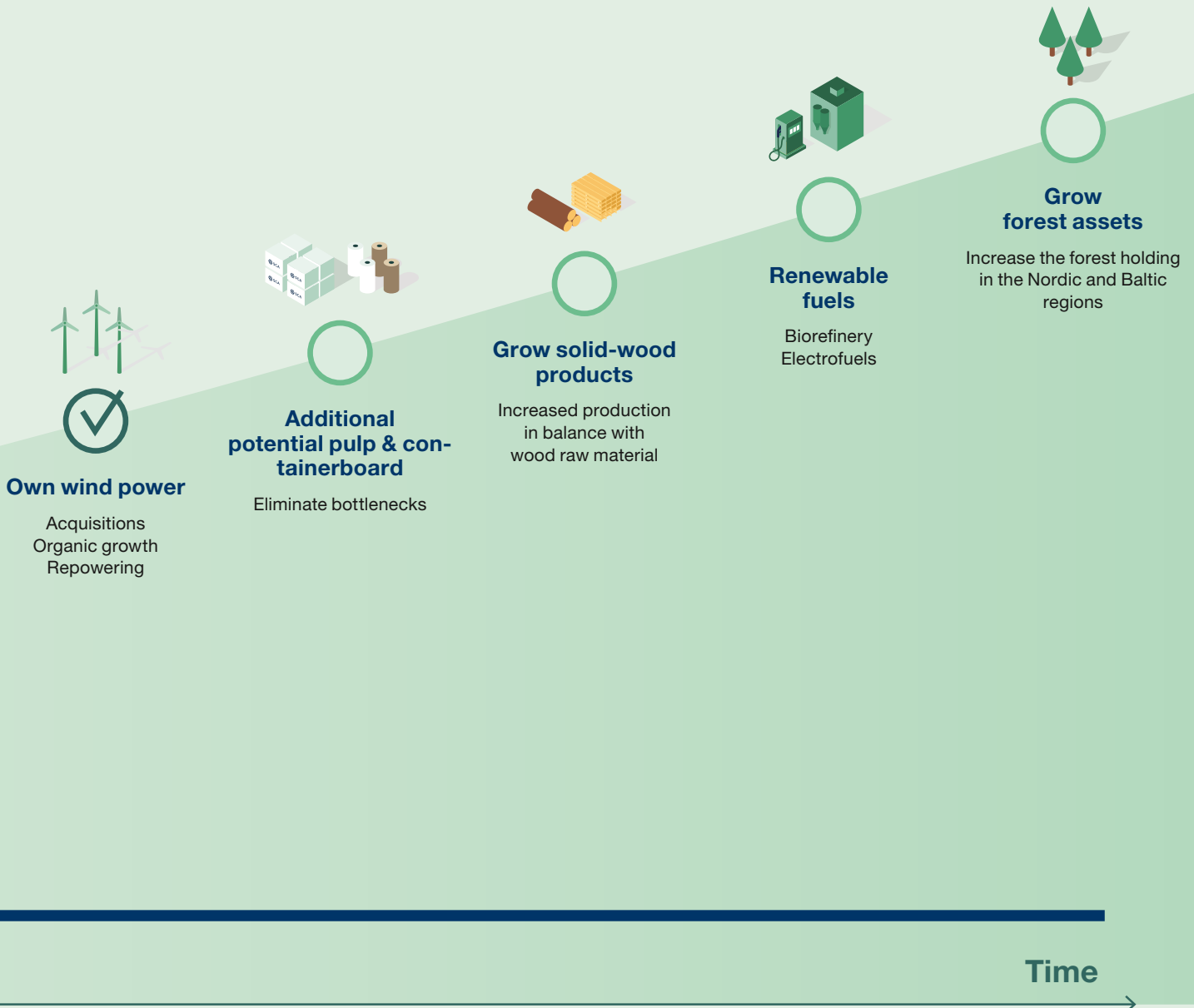
STRATEGY

A number of major investment and development projects have been, or are about to be, completed. The transition to products with good and long-term development potential has been carried out. The Östrand pulp mill has doubled its pulp production over the past few years. The new kraftliner paper machine in Obbola has begun production. SCA's forest resource is growing.

The project portfolio is constantly evolving on the basis of generating the highest possible long-term value creation. The substantial forest resource forms the foundation for operations. The company wants this resource to grow, through proper management of the existing forest and through acquisitions. Production will continue to grow with products that make the best use of the forest's value potential and have a high payment capacity for the timber. The potential of secondary flows and waste streams will be utilized.

Technology, demand and the market for renewable energy is evolving rapidly. Access to renewable energy raw materials is key for biofuels and liquid biofuels. SCA utilizes its resources in forest raw materials and industrial by-products in strategic partnerships and profitable investments.

Onshore wind is now the cheapest method of producing new electricity, and the production method with the lowest carbon footprint and most limited environmental effects of all energy types. Previously, SCA leased out land with favorable wind conditions but is now increasingly becoming involved as an owner in wind energy production. This could include the acquisition and development of existing wind farms, and development of and investment in entirely new projects. One particular area of interest is repowering, which involves upgrading old wind farms with new technology.

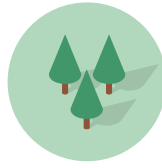




FOREST

SCA's forest continues to grow

FOREST



SCA is Europe's largest private forest owner and the forest is SCA's unique resource. This resource will grow and yield improved access to renewable raw materials through acquisitions and active and long-term management.

Growing demand for softwood

Demand is growing for products based on wood, particularly solid-wood products of high quality. In parallel, there is limited availability due to the area covered by forest land. The shortage is also due largely to various types of restrictions. For example, Russian forest products have been excluded from the major markets in Europe and North America following Russia's invasion of Ukraine.

Infrastructure and market conditions are even greater limitations. Large areas of forest, especially in Russia, but also in parts of North America, lack roads or other transport options. Large set-asides for nature conservation also restrict access to forest, as does forest damage.

Value chains are poorly developed in many parts of the globe. Demand may exist for one timber product, but not for the other parts of the value chain and this hampers the development of forestry.

Lastly, different forest resources are used for different products. In South America and the southeastern US, where access to eucalyptus and fast-growing pine is increasing, this wood raw material is used largely for products other than those manufactured from Scandinavian softwood.

SCA's well-maintained and growing forests will be a resource that is in demand and in short supply in the future as well.

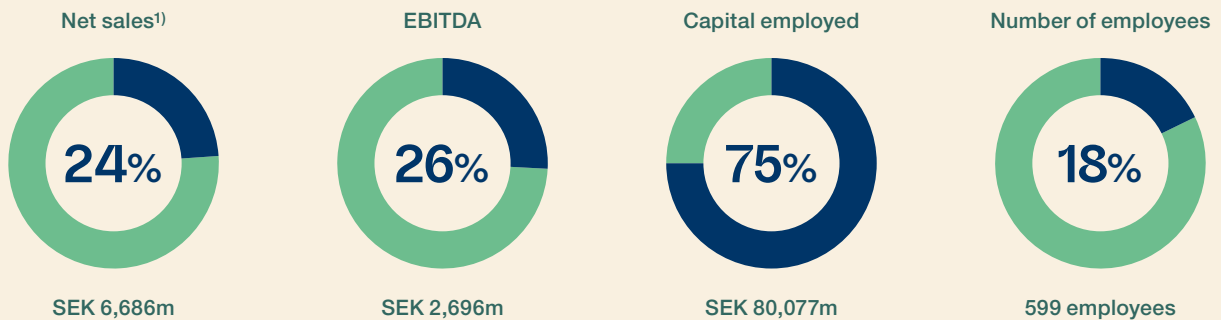
Strategy

- Increase growth and harvesting while maintaining high environmental ambitions
- Acquire forest that supports SCA's industries
- Increase digitalization of planning, logging, forest management and timber purchasing
- Increase the precision and quality of biodiversity conservation measures

Financial key figures

SEKm	2022	2021
Net sales	6,686	6,148
EBITDA	2,696	2,644
EBITDA margin, %	40.3	43.0
Operating cash flow	332	763
Strategic capital expenditures	809	119
Capital employed	80,077	69,046
Return on capital employed, %	3.4	3.8
Harvesting of own forest, thousand m ³ sub	4,434	4,278
Average number of employees	599	591

Share of Group 2022



¹⁾ Before elimination of intra-Group sales.

◀ The volume of forest on SCA's land has increased by more than 60% since 1950 and growth has more than doubled.

FOREST

Europe's largest private forest holding secures raw material supply

SCA owns 2.7 million hectares of land in northern Sweden and the Baltic region, of which 2.1 million hectares are productive forest land. At year-end, SCA's standing volume amounted to 267 million forest cubic meters (m³fo), of which 7 in the Baltic region.

SCA wants to increase its forest holding and is acquiring forest where it can help to supply the company's value chain. In Sweden, legal opportunities to increase the forest holding are limited. Therefore, the company is endeavoring to improve conditions for forest management and timber supply in the country through land purchases and sales. SCA is continuing to expand as a forest owner in the Baltic region.

About 50% of SCA's raw material needs are provided by wood from the Group's own forests and woodchips from its own sawmills. Demand for raw materials will increase when production of solid-wood products, containerboard and pulp rises as a result of the ongoing investments. Even with the increasing raw material needs resulting from the company's growth, SCA has a much higher level of self-sufficiency than comparable forest products companies. The large forest holding provides forest products companies with a reliable supply of raw material, facilitates investments and allows greater flexibility.

Every tree that is harvested is replaced with at least two new ones. SCA's tree nursery supplied 98 million seedlings in 2022.

Timber purchases from private forest owners

Most of the timber that does not originate from SCA's own forest is purchased from private forest owners with holdings in northern Sweden. With its harvesting and forest management organization that covers northern Sweden, SCA is an attractive partner for forest owners seeking access to highly competent people and the latest harvesting machines to manage their forests. Through its competitive industrial operations, SCA also secures demand and forest value for other forest owners. SCA's expertise and the resources used in its own forests thereby also benefit other forest owners. Timber purchased from private forest owners is supplemented by purchases from other forest compa-

nies and some imports from the Nordic and Baltic regions. Imports were at very low levels in 2022.

Responsible forest management

SCA's forests are managed sustainably with the aim that they will remain at least as rich in biodiversity, nature experiences and raw material in the future as they are today. Preserving biodiversity, with the many species that make up the flora and fauna, is one of SCA's most important sustainability targets. Forest areas of high conservation value are set aside from harvesting or managed specifically to enhance the conservation values. Forest is set aside to provide variety and habitats for sensitive flora and fauna.

SCA has identified about 200 flora and fauna for which SCA takes particular responsibility by ensuring access to the habitats, substrates and processes needed by these species.

Good and secure working conditions for our own personnel and contractor employees are another important area of responsibility.



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



SCA is roughly 50% self-sufficient in timber. Most of the other timber requirement is covered through purchases from private forest owners in northern Sweden.

FOREST

Climate benefits and biodiversity conservation

Growing trees capture and bind carbon dioxide (CO₂). SCA's forests have an annual net growth of almost four million m³fo of timber, which means that the forests bind a net total of more than five million tonnes of CO₂. This is more than seven times the total CO₂ emissions from fossil-based sources in all of SCA's operations, including the forest operations, industrial production and transportation of raw materials and finished products, as well as input goods.

It is tree growth that binds CO₂. The greater the growth, the more CO₂ is bound by the growing tree. As trees age, growth slows and they are harvested and replaced with new, growing trees. There are calls in Sweden and the European Union to increase the role of the forest as a carbon sink. The reasoning is that the forest can bind CO₂ as it grows, which is then stored in the living biomass. Forest owners are to be encouraged to reduce harvesting and instead store carbon in standing forest. However, as the trees age, they will eventually die and rot and the CO₂ will be released back into the atmosphere. Older forests are also susceptible to more dramatic events, such as insect damage or fire, where a forest dies on a larger scale and CO₂ emissions rise.

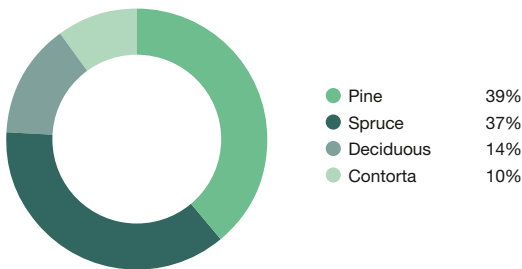
When a forest is actively managed and renewable raw materials are made into products that can replace others with a larger carbon footprint, fossil carbon remains in the ground, and forests remain vigorous and growing.

SCA sets aside important habitats for flora and fauna that are sensitive to forest operations and manages the forests to improve conditions for species with special requirements. At the same time, the company strives to make these habitats as effective as possible. Growth, meaning the sequestration of CO₂, and renewable raw materials are also important environmental considerations, and SCA is aiming for the best possible balance between these objectives.

Harvesting increasing by 25 percent

SCA endeavors to manage its forests in an active and long-term manner to increase growth and harvesting potential. The regular inventories and harvesting calculations conducted by the company indicate that harvesting can increase to 5.4 million solid cubic meters under bark (m³sub) in 2025 and the company is gradually approaching this level. In the longer term, harvesting can increase further. Contorta pine, which has a much higher

Forest holding (volume)



Growth in SCA's forest in 2022¹⁾

SEKm	Million m ³ fo	%
Opening volume Sweden, 2022	256	
Gross forest growth	10.5	4.1
Natural losses and pre-commercial thinning	-1.4	-0.5
Available growth	9.1	3.6
Harvesting ²⁾	-5.3	-2.1
Net forest growth	3.8	1.5
Closing balance Sweden, 2022		
	260	
Holdings in Baltic region	7	
Closing volume, 2022	267	

¹⁾ Standing timber volume and growth as per the forest survey performed in 2019.
²⁾ Equal to about 4.4 m³sub.

Market

Almost 70% of Sweden is covered by forest, corresponding to 28 million hectares. SCA is Sweden's largest private forest owner. The remainder is owned by individual forest owners, other forest products companies, the state and the church.

In addition to its holdings in Sweden, SCA has forest holdings in the Baltic region. Forests in the Baltic region have an excellent production capacity, which for historical reasons is only utilized to a limited extent.

Laws that govern forest operations and forestry management in Sweden

The Forestry Act has existed in different versions since 1905 and includes mandatory rules for forestry operations in Sweden. It states, for example, that reforestation must take place after final harvest; it stipulates limits for the youngest age at which forest can be felled; and includes an obligation to consider environmental values.

The Swedish Environmental Code includes rules that impact forestry, such as rules for the preservation of flora and fauna.

The Land Acquisition Act regulates the acquisition of forest land. The law states that a legal entity may not acquire forest land from private individuals, but only from other legal entities. The background to the law is that the Swedish legislator wants a certain percentage of the forest to be held by private individuals.

FOREST

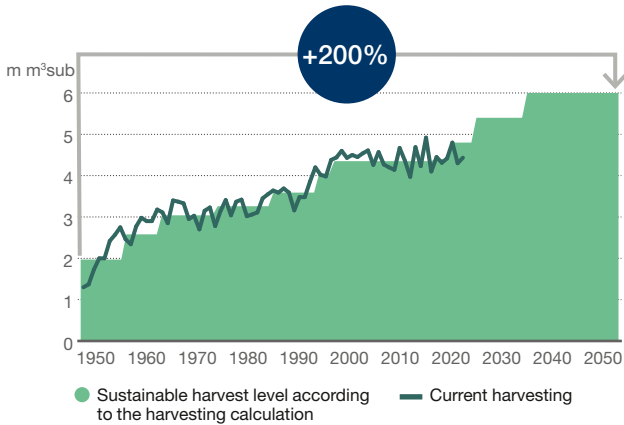
growth rate than Swedish pine, has made a significant contribution to this growth increase.

Since the first forest inventory in the late 1940s, SCA's standing volume has increased by more than 60%, while growth and the sustainable harvesting level have more than doubled. At the same time, the company has – during these 70 years – harvested

more than the entire timber volume currently growing in SCA's forests.

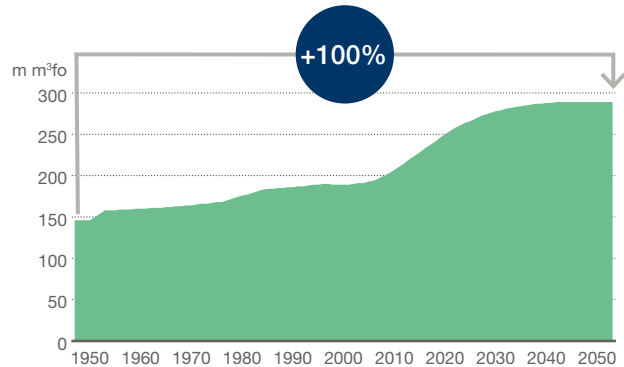
Using the harvesting plan that SCA has now adopted, standing volume will continue to increase, albeit at a slightly slower pace than in the past.

Harvesting of own forest (million m³sub)



The first harvesting calculation in 1950 presented a sustainable harvesting level of approximately 2 million m³sub. Through good forest management, growth has risen and in the most recent harvesting calculation the sustainable harvest level was 5.4 million m³sub, a level that could be further raised in 10–20 years.

Standing timber volume (million m³fo)



The most recent forest survey was conducted in 2019 and standing volume was estimated at 267 million m³fo at the end of 2022. The forest management plan used for the latest harvesting calculation indicates that standing volume will continue to increase over the coming decades, while the harvesting level is simultaneously increasing.

SCA manages its forests to ensure a high level of sawlog production, the most valuable timber product.





FOREST

Forest value

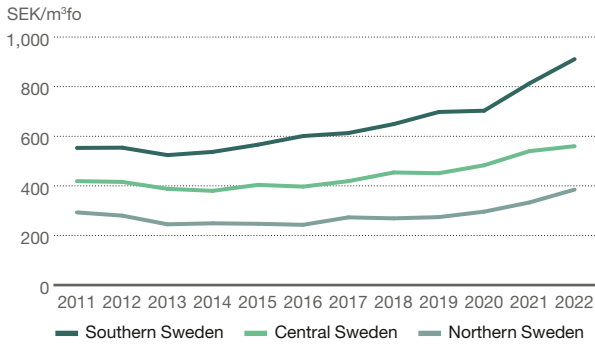
SCA bases the valuation of the company's forest assets on transactions in areas where SCA owns forest land in Sweden. The three-year average market price on December 31, 2022 used in valuation of SCA's forest assets was SEK 366/m³fo. Applied to SCA's standing timber volume of 267 million m³fo at the end of the year, the carrying amount of SCA's forest assets was SEK 97.9bn on December 31, 2022.

Ludvig & Co and Svefa are two of the main providers of market statistics. According to Ludvig & Co, the average price in northern Sweden was approximately SEK 385 per m³fo standing timber in 2022. According to Svefa, the average price in northern

Sweden was approximately SEK 378 per m³fo standing timber in 2022. SCA's forest holding is largely in the southern parts of northern Sweden, where prices are above average for northern Sweden. The average price for the two providers, weighted, in the areas where SCA owns forest assets was SEK 418 per m³fo in 2022.

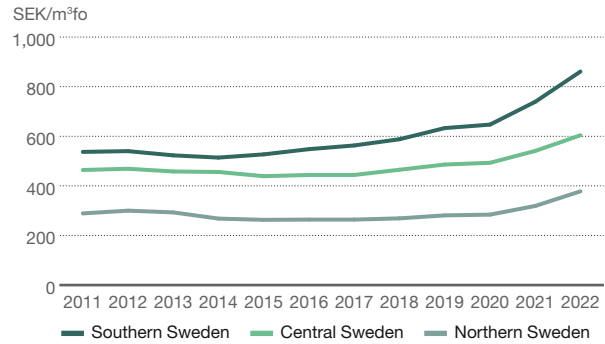
The vast majority of the transactions included in the supporting data are acquisitions conducted by private individuals. The relatively few transactions between legal entities indicates, however, that forest owned by legal entities has an added value compared with forest owned by private individuals.

Forest land prices (SEK/m³fo), Ludvig & Co



Source: Ludvig & Co, nominal values

Forest land prices (SEK/m³fo), Svefa



Source: Svefa, nominal values

Forest transactions in areas where SCA owns forest

	2022	2021	2020	2019
Number of transactions	135	176	219	251
Average price, SEK/m ³ fo ¹⁾	418	368	312	292
Average size of estate (ha)	137	75	61	67

¹⁾ Combined volume-weighted average from Svefa and Ludvig & Co distributed geographically across the areas where SCA owns forest assets.

Total return of 10 percent per year

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

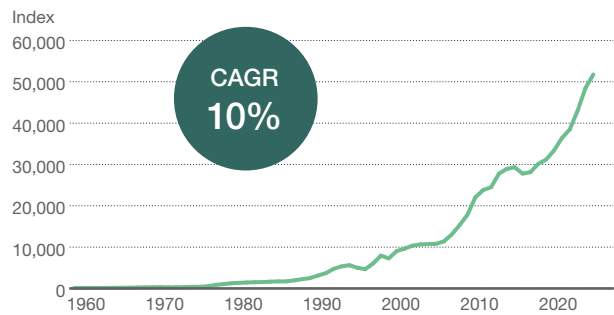
Harvesting. Harvesting provides raw materials to the industries and generates cash flow. Good forest management has helped double the sustainable harvesting level since 1956.

Net growth. Over the past 70 years standing volume has increased significantly, and growth far exceeds harvesting. This will enable a higher level of harvesting and an increase in cash flow going forward.

Land value. The value of forest land in northern Sweden has increased by more than 200% in real terms and 4,000% in nominal terms since 1956, according to an estimate by the National Land Survey.

Altogether, these three value streams have generated a total return from SCA's forest assets of approximately 10% per year since 1956.

Total return, forest in Sweden (index 1956–2022)



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



WOOD

Strong position despite challenging economic environment



WOOD



Demand for solid-wood products was very strong in all global markets in the first half of 2022. Circumstances changed as interest rates and inflation increased, but even with weaker economic conditions SCA's wood products maintained a strong position. Climate, sustainability and energy efficiency are compelling arguments to choose wood.

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

SCA also operates planing mills, painting facilities and impregnation plants, and is engaged in the further processing of by-products as well as distribution to the building materials trade in the Nordic region and France.

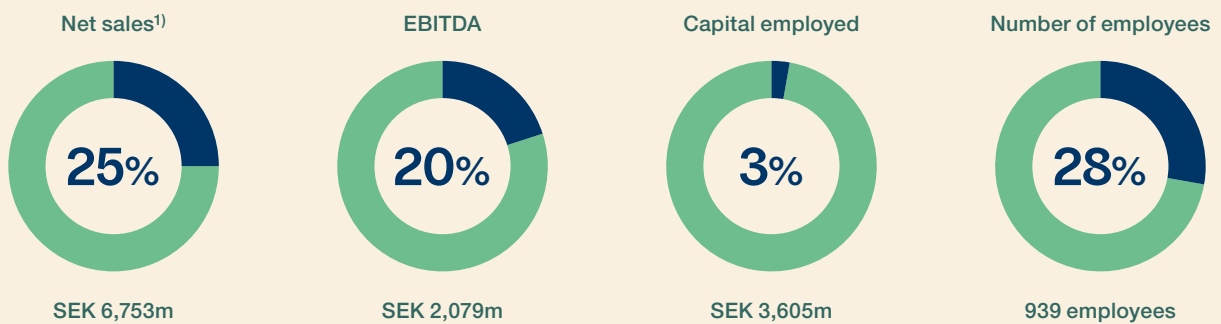
Strategy

- Strengthen SCA's integrated value chain – the most valuable part of the tree is the sawlog
- Continued profitable growth kept in balance with access to raw materials and by developing the business offering for both the building materials trade and for industrial customers with high demands for customized timber
- Well-invested plants with world-class efficiency and competitiveness

Financial key figures

SEKm	2022	2021
Net sales	6,753	7,080
EBITDA	2,079	2,968
EBITDA margin, %	30.8	41.9
Operating cash flow	1,861	1,978
Strategic capital expenditures	0	-
Capital employed	3,605	3,746
Return on capital employed, %	48.5	76.6
Deliveries, solid-wood products, thousand m ³	2,022	2,069
Average number of employees	939	968

Share of Group 2022



¹⁾ Before elimination of intra-Group sales.

◀ Timber from SCA's slow-growing forests in northern Sweden is strong and attractive. It is suitable for visible wood products such as flooring, wood panel and furniture.



WOOD

Customized products

The slow-growing wood from northern Sweden has a high proportion of heartwood and small knots, making it suitable for visible wood applications, interior use and products subject to high quality standards, such as interior and exterior cladding. SCA has chosen to focus in particular on the wood industry and building materials trade, market segments where these characteristics are in demand and that offer the best prospects for profitable growth.

As a supplier to the wood processing industry, SCA manufactures customized products suitable for further processing by its customers. SCA's customers are mainly manufacturers of furniture, doors, windows, flooring and roofs.

For the building materials trade, SCA delivers processed products, ready to be offered to consumers, and advanced distribution solutions. SCA supplements its own products with products purchased from other suppliers in order to offer a complete range of products. Customers mainly include building materials suppliers in Scandinavia, France and the US. The products are also sold directly to industrial producers of timber-frame housing.

The prioritized market segments are complemented through transactions where the market conditions are considered to be best. The entire log is to generate wood products with the best possible profitability.

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

Investing in competitiveness

The new dry sorting line at the Bollsta sawmill began operating in 2022, an investment of approximately SEK 600m to improve quality, production and cost efficiency. When the dry sorting line has been calibrated to full production capacity, two older dry sorting lines will be discontinued. Bollsta sawmill is one of SCA's largest and one of Europe's most efficient sawmills.

Bollsta sawmill utilizes the latest technology to optimize the value of each log. Computerized tomography, image processing and artificial intelligence are used to analyze each log and ensure its full potential is utilized. The log can then be monitored throughout the sawmill's various processing stages to optimize the product value for customers and profitability for the sawmill.

SCA began to produce solid-wood products from contorta pine at the Gällö sawmill. SCA introduced this fast-growing, North American tree species in the 1970s and the oldest trees have now reached log dimensions. Contorta pine is suitable for interior cladding and joinery purposes.

Increasing demand

The highly robust market for solid-wood products in 2021 continued in 2022. During the year, war, the energy crisis and interest rate hikes led to an economic slowdown, affecting primarily demand from private individuals. Many construction projects launched with the support of the stimulus packages during the pandemic are now underway and demand in the professional sector is thus being upheld slightly longer.

Sawmills

Munksund, Piteå

Capacity: 400,000 m³/year

Rundvik, Nordmaling

Capacity: 320,000 m³/year

Bollsta, Kramfors

Capacity: 560,000 m³/year

Tunadal, Sundsvall

Capacity: 600,000 m³/year

Gällö, Bräcke

Capacity: 360,000 m³/year

Wood processing and distribution

Planned products capacity:
600,000 m³/year

Distribution to building materials trade:
Scandinavia | France



SCA delivers approximately two million m³ solid-wood products every year.

WOOD



Demand for impregnated wood products for wooden decks and terraces is growing.

Restrictions on products from Russia and Belarus in Europe and North America are changing delivery flows. Increased fuel and thus logistics costs are also changing the competitive landscape. Higher energy costs have impacted production costs at sawmills, but also the value of by-products. The excellent energy efficiency of solid-wood products means these are holding their own against less cost-effective alternatives.

Sustainable construction materials

Another factor that supports sustained high demand for solid-wood products is their positive climate effect. A number of studies have evaluated the sustainability and climate impact of construction materials and construction processes. Wood products derived from responsibly managed forests received high marks. Climate and sustainability are also assigned high importance in the selection of materials by customers.

Wood has a positive impact on the climate for several reasons. Wood products have a significantly smaller carbon footprint than most other construction materials, such as concrete, aluminum, plastic and steel. Wood is also lighter than concrete and steel, which reduces the environmental impact from transportation and handling. Lastly, wood binds carbon. When the tree grows it binds CO₂ and this carbon remains in the wood product for a shorter or longer period. Given that carefully maintained timber houses can stand for several centuries, this carbon sink in wood products is significant. 90% of SCA's solid-wood products are made into long-living products.

Market

The global market for softwood solid-wood products is about 350 million m³, the majority of which is used in traditional construction and renovation. Long-term demand is expected to grow by approximately 2% per year.

The European market for softwood solid-wood products amounts to approximately 100 million m³ and SCA's share is approximately 2%. The market is characterized by a large number of mid-sized and small suppliers targeting different products and geographic markets.



PULP

Strong performance and new pulp mill commence operations





PULP



Production and deliveries for the Östrand pulp mill remained at a stable, high level while the market was robust, which yielded the highest ever earnings. The new pulp mill in Ortvikén began operating toward the end of the year.

SCA manufactures bleached softwood kraft pulp and chemi-thermomechanical pulp (CTMP). The pulp mills also produce green electricity, tall oil and turpentine, as well as district heating to the Sundsvall and Timrå district heating grids.

Leading kraft pulp manufacturer

The Östrand pulp mill is world leading in terms of quality, cost efficiency and environmental performance. The mill's main focus is pulp for tissue, but it also delivers pulp for board and publication paper, together with specialty products, such as pulp for filter manufacturing.

Softwood kraft pulp made of fiber from northern Sweden is highly valued for its good strength properties. In tissue, it is often combined with pulp based on deciduous trees, such as birch or eucalyptus. Different types of pulp contribute to different properties in the final paper. Since softwood kraft pulp contributes to strength, it cannot easily be replaced by pulp produced from other wood sources and with other pulp characteristics.

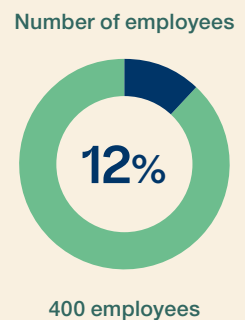
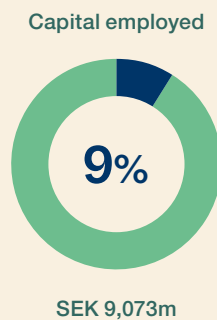
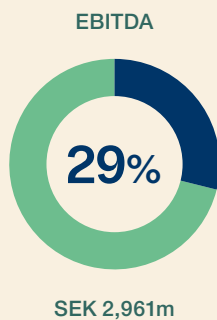
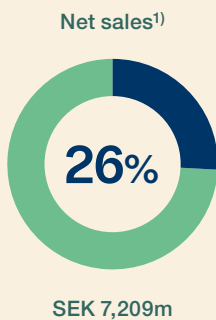
Strategy

- Develop the position as premium supplier – quality and service – for tissue manufacturers
- Develop a position as leading supplier of chemi-thermomechanical pulp (CTMP) from the Ortvikén site
- Develop a plan for continued expansion of softwood kraft pulp capacity
- Maximize the value of green products such as electricity, tall oil, district heating, bark and lignin

Financial key figures

SEKm	2022	2021
Net sales	7,209	5,743
EBITDA	2,961	2,096
EBITDA margin, %	41.1	36.5
Operating cash flow	2,059	1,861
Strategic capital expenditures	8	112
Capital employed	9,073	8,021
Return on capital employed, %	29.0	17.6
Deliveries, pulp, thousand tonnes	864	877
Average number of employees	400	397

Share of Group 2022



¹⁾ Before elimination of intra-Group sales.

◀ The Östrand pulp mill in Timrå is the largest production unit for bleached softwood kraft pulp in the world.

Investment in CTMP

The Östrand mill produces approximately 100,000 tonnes of chemi-thermomechanical pulp (CTMP). This is mainly used to manufacture tissue and board. CTMP is used, for example, in the middle ply in liquid packaging board to provide bulk to the packaging.

SCA has invested SEK 1.45bn in a facility for the production of 300,000 tonnes of CTMP at the Örtviken industrial site. Örtviken had existing equipment and infrastructure that create a highly competitive facility at a low investment cost. The mill began operating at the end of 2022, ahead of schedule and on budget. The production of CTMP at the Östrand site will be discontinued in balance with the market and volumes from Örtviken.

Stable production and continued calibration

During the year, production at the Östrand pulp mill was stable and the plant maintained world-class competitiveness. The optimization of the Östrand mill is continuing as bottlenecks are identified and measures are taken using an approach that is characterized by continuous improvements. Investments were made during the year in a CNCG boiler that will reduce chemical costs and reduce the risk of emissions into the air of harmless, but odorous substances from production.

The modern mill has significant potential to produce specialty products and products with specific properties. One such product with healthy demand and profitability is pulp for various types of filter products. New products are continually being developed.

The production of green products, such as tall oil and green electricity, is important for the mill's profitability and for the efficient use of the plant and raw materials.

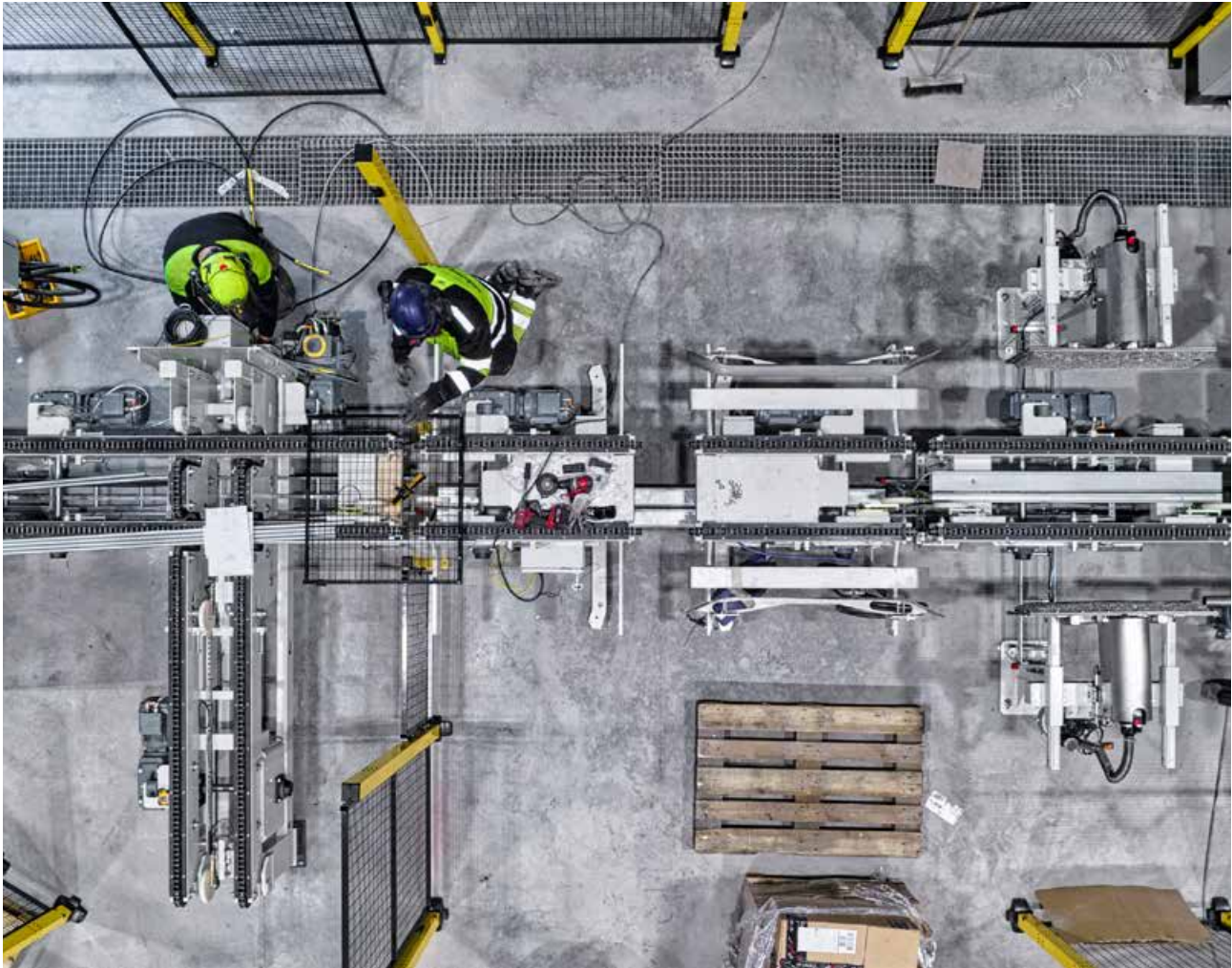
Good pulp market

Demand for pulp was high during the year. Demand weakened slightly toward the end of the year, as a result of the economic slowdown resulting from the war and energy crisis in Europe, but this trend was offset by strikes and production disruptions among competitors.

Europe remains SCA's core market, but with increasing production volume SCA has grown as a supplier to US customers and commands a stable presence on the US east coast.

Demand for tissue products is growing worldwide and tissue is a prioritized market segment for SCA.





The production of chemi-thermomechanical pulp (CTMP) at the Ortvisken site began in 2022, ahead of schedule.

Östrand pulp mill, Timrå

Production capacity:

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

Chemi-thermomechanical pulp (CTMP): 300,000 tonnes/year (2025). The pulp is used in, for example, packaging and hygiene products.

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

Complementary products: Tall oil, turpentine, district heating, biosludge, ash.

Market

The global market for northern bleached softwood kraft pulp (NBSK) is approximately 14 million tonnes. Long-term demand is expected to grow by approximately 1–2% per year. SCA's share of the global market for market pulp amounts to 6%, and Östrand is the largest mill.

The global market for chemi-thermomechanical pulp (CTMP) is just over 4 million tonnes. Long-term demand is expected to grow by approximately 2–3% per year. Following the ramp-up of the new CTMP plant in Ortvisken, SCA's share of the global CTMP market for market pulp is expected to amount to approximately 7–8%.



CONTAINERBOARD

New paper machine enhances production and quality





CONTAINERBOARD



SCA's new paper machine in Obbola began operating ahead of schedule. The project was completed despite the pandemic and logistics disruptions. In addition to a substantial increase in production, the machine offers completely new opportunities for process control and product quality.

Containerboard

Containerboard is the outer and inner layer of corrugated board, which is used in the manufacture of packaging. The vast majority of SCA's production is fresh fiber-based containerboard, known as kraftliner, made at the Munksund paper mill in Piteå and the Obbola paper mill in Umeå.

SCA is a leading producer of kraftliner, the third largest in Europe and the largest independent supplier, with well-invested and

competitive plants. The product portfolio includes a range of specialty products, such as kraftliner with a white printable surface (white-top) and wet-strength kraftliner. Wet-strength kraftliner is used for packaging with particularly high demands, for example packaging for food or heavy goods. The slow-growing wood raw material from northern Sweden provides strength and is well suited for high-quality packaging that uses materials efficiently. The core market is Europe.

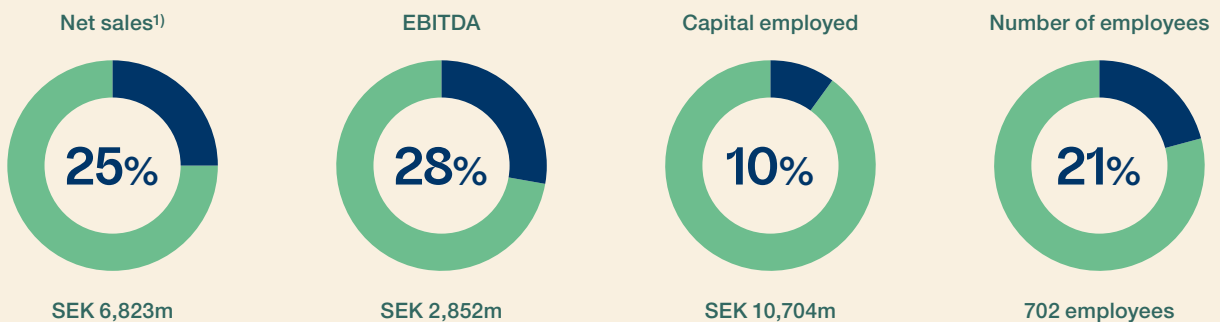
Strategy

- Capitalize on the full potential of the new paper machine, particularly new opportunities in digitalization and artificial intelligence, for quality, competitiveness and profitability
- Continue the initiative to offer the market's best service and product range as an independent supplier
- Continue investments in specialty products, such as white-top and wet-strength kraftliner

Financial key figures

SEKm	2022	2021
Net sales	6,823	5,456
EBITDA	2,852	1,761
EBITDA margin, %	41.8	32.3
Operating cash flow	2,226	1,494
Strategic capital expenditures	2,634	3,022
Capital employed	10,704	8,989
Return on capital employed, %	63.6	30.0
Deliveries, kraftliner, thousand tonnes	773	823
Average number of employees	702	704

Share of Group 2022



¹⁾ Before elimination of intra-Group sales.

◀ The new paper machine at the Obbola paper mill began operating in 2022. The investment was completed on budget and operations started ahead of schedule.

CONTAINERBOARD

New paper machine ahead of schedule

Toward the end of 2022, the new paper machine at the Obbola paper mill began operating. The investment was completed on budget and ahead of schedule, despite major challenges, such as the coronavirus pandemic and the global disruption to supply and logistics chains. Full production was maintained at the site throughout the investment period.

The investment means the production capacity at the Obbola paper mill increased from 450,000 to 725,000 tonnes per year. The new paper machine is the largest and most modern of its kind and provides a completely new technology platform for manufacturing specialty products and for product and process development.

In addition to a new paper machine, the investment also encompasses increased pulp production, improved recovered paper handling, as well as expanded biological wastewater treatment and other environmental actions. The chemical recycling process will be entirely bio-based and the mill's fossil fuel requirement will be almost zero.

Strong market during the year

During the year, demand remained high for containerboard and the market was strong. Changes to economic conditions in Europe, as a result of the war, led to increased energy prices and rising interest rates, which led to decreased consumption and thus a reduced need for packaging paper toward the end of the year.

However, the decrease in demand is from a high level and the assessment for the long-term trend for packaging material demand remains positive.

More stringent requirements for printing surface

In a weaker market, customer requests other than price are given greater weight. Demand for specialty products continues to grow. In particular, requirements are increasing for good printing quality. Transport packaging with good printing becomes part of a product's marketing and thereby allows customers to develop their business offering.

The white-top kraftliner manufactured at Munksund paper mill meets high customer requirements and demand for it is healthy.

Reliable supply

As a producer of fresh fiber-based packaging paper in northern Sweden, the impact of the turbulence in the energy markets is limited. SCA largely uses its own and local wood raw material. The processes are self-sufficient in heat, and to a large extent, also electricity. In addition, SCA's plants are located in a region with stable and high electricity production.

The production of electricity and energy in and to the plants is entirely fossil-free and has a minimal climate impact. SCA's products are recycled and used to a high degree in the manufacture of new products. They are non-toxic and have no long-term burden on ecosystems on land or at sea.

The new paper machine provides entirely new opportunities for product development and process control.



CONTAINERBOARD

Containerboard, packaging paper, predominantly used for transport packaging. The packaging can be designed for a range of different applications.



Containerboard

Obbola, Umeå

Production capacity: 725,000 tonnes/year (2026)

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

Munksund, Piteå

Production capacity: 415,000 tonnes/year

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

Market

Kraftliner

The global market for containerboard is more than 170 million tonnes, of which kraftliner accounts for about 35 million tonnes. Kraftliner is manufactured from fresh fiber, in contrast to the larger range of testliner, which is manufactured from recovered paper. The predominant kraftliner is unbleached, meaning brown, though kraftliner is also manufactured with a white-top coating, which has a market share of just over 10%. Long-term demand for kraftliner is expected to increase by approximately 2% per year.

The European market amounts to more than 6 million tonnes. SCA is the largest independent supplier of fresh fiber-based kraftliner in Europe.



RENEWABLE ENERGY

Transition to renewable drives growth





SCA can see growth and business opportunities in wind, bioenergy and liquid biofuels in the short and long term. Growing demand for renewable and climate-friendly energy combined with the need for alternatives to Russian oil and gas provide SCA with good potential to make a further contribution to the energy transition.

SCA an important energy supplier

Russia's invasion of Ukraine has affected all parts of Europe's economy, but the greatest impact has been felt on energy. A series of short-term measures are being taken in the EU and in individual European countries to meet energy needs over the next 12 months and, in the longer term, to move away from dependency on Russian oil and Russian gas.

Since a significant portion of Europe's electricity production is based on gas and oil, there is also great concern about the availability and cost of electricity.

Electricity and all types of fuel have experienced sharp price increases and volatile markets in 2022.

However, SCA is in a good position to contribute to Europe's electricity and energy supply by producing electricity in its own industrial processes and with wind power on its own land, as well as the production of fuel based on residual products from the forest and industry. From the beginning of the year, Renewable Energy will be reported as a separate segment.

Own investments in wind power

As Europe's largest private forest owner, SCA has many areas of land with favorable wind conditions. A significant expansion of wind power is currently taking place. At the end of 2022, the annual production capacity of wind power production on

SCA's land was 7.2 TWh, equivalent to about 20% of the total wind power production in Sweden. By the end of 2023, capacity is expected to be 9 TWh per year.

SCA also produces a significant amount of its own green electricity, which amounted to 1.4 TWh in 2022, corresponding to approximately 1% of Sweden's electricity consumption. Östrand pulp mill alone sells about 0.5 TWh per year.

Since 1997, SCA has prepared and developed wind power projects for investors who are interested in investing in green energy. As the land owner, SCA receives a ground lease payment, usually based on revenue from the sale of the green electricity produced.

SCA is now also making its own investments and becoming an owner of wind power. In 2022, the company acquired its first wind farm by purchasing 36 turbines in Markbygden, Piteå Municipality. Production technology for wind power is well-developed and demand for renewable electricity is stable and healthy, which means wind power investments can successfully compete with other investment alternatives.

In particular, there are good opportunities for profitable investments in repowering, when all or parts of older wind turbines are replaced with new alternatives, which are more productive and profitable. New wind turbines offer a substantial increase in

Strategy

- Develop new position as a supplier of biofuels and green chemicals
- Prepare for increased production of biofuels and green chemicals adjacent to SCA's own industrial plants
- Maximize wind power on SCA's land and develop viable projects for investors
- Invest in wind power production on SCA's land through acquisitions of older wind farms, own investments in new projects and repowering
- Optimize production, product portfolio and profitability in the biofuel business

◀ Onshore wind is now completely commercial and is the cheapest method of producing electricity on a large scale.

RENEWABLE ENERGY

production compared with their older counterparts and much of the infrastructure can continue to be used – roads, cables, connection points, etc.

SCA has set as a long-term goal that wind power production on the company's own land will amount to 11 TWh in 2025, equivalent to the electricity needed to electrify all the passenger cars in Sweden. The availability of green electricity in northern Sweden is one important stimulus behind the current establishment of new businesses, such as green steel production, hydrogen production and electrofuels.

Production of biofuels

Biofuels made from sustainable raw materials play a key role in the climate transition. Many countries require the admixture of biofuel to vehicle and aviation fuel, and demand will exceed supply for the foreseeable future.

SCA is conducting an ongoing initiative in the area of liquid biofuel. SCA is investing SEK 600m in a biorefinery that St1 is constructing at its facility in Gothenburg. SCA's ownership stake is one quarter. The biorefinery will produce advanced liquid biofuels, such as renewable HVO diesel and biojet fuel. SCA is making its raw material resources available in the form of tall oil.

The total production capacity of the biorefinery will be 200,000 tonnes of biofuels, which is equivalent to the total fuel requirements of domestic flights in Sweden. It will be commissioned in the second half of 2023.

A major biofuel investment is being prepared by SCA at the Östrand pulp mill. An environmental permit was received to produce biofuels on two production lines: one using black liquor, which is a product from Östrand's kraft pulp production, and

one using solid biomass, such as sawdust and bark. While the biorefinery in Gothenburg is based on well-tested and commercial technology, the Östrand biorefinery will focus on technology that is still under development.

Land reclamation began in the autumn adjacent to the mill to enable the construction of a biorefinery and other operations at the Östrand pulp mill.

Leading supplier of biofuels

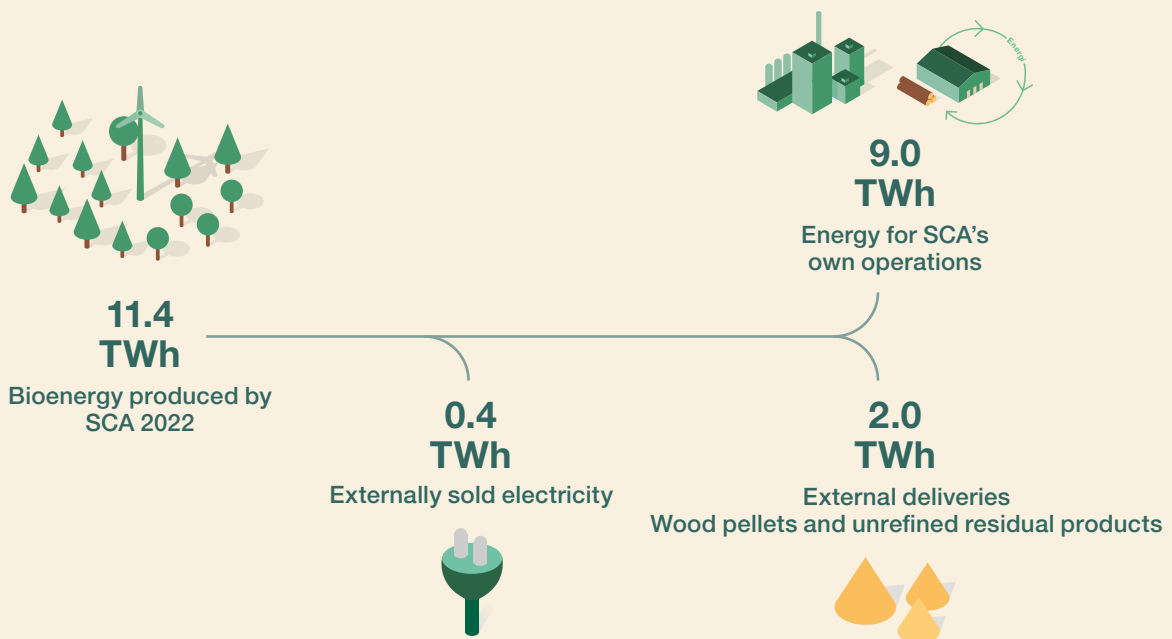
SCA is one of the largest suppliers of forest-based biofuels in Sweden – unrefined residual products from the forest and industry as well as refined fuels in the form of pellets.

Russia's invasion of Ukraine has led to a shortage of fuel in Europe and prices and demand have increased.

In 2022, SCA produced 11.4 TWh of bioenergy. 9.0 TWh was used in SCA's own plants and 2.0 TWh was delivered to external customers. Of the external deliveries, 1.0 TWh consisted of processed biofuels, meaning wood pellets, and 1.0 TWh was unprocessed biofuels, meaning bark, sawdust and by-products from harvesting. SCA's production capacity at fully or partially owned plants is more than 300,000 tonnes of pellets per year. In 2022, a decision was taken for a new production facility for pellets in Rundvik.

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

Leading supplier of biofuels





RENEWABLE ENERGY

SCA's production capacity for fuel pellets in fully and partially owned plants is more than 300,000 tonnes and demand is high.



Pellets facilities

SCA Bionorr, Härnösand

Capacity: 180,000 tonnes

SCA Tunadal

Capacity: 12,000 tonnes

Integrated with Tunadal sawmill.

SCA Stugun

Capacity: 24,000 tonnes

Integrated with Stugun planing mill.

SCA Rundvik

Capacity: 25,000 tonnes

Under construction, production start 2023.

Integrated with Rundvik sawmill.

Partnership and responsibility for raw material supply and sales:

Bioenergi i Luleå AB

Capacity: 100,000 tonnes

Market

Demand for renewable energy in Europe and in Sweden is expected to increase sharply over the coming years. The major industrial ventures in northern Sweden are expected to lead to a significant increase in demand for electricity in the region. Demand for other renewable energy sources, such as biofuel and liquid biofuel, is expected to increase sharply.

The equilibrium of the European energy markets was disturbed in 2022. Throughout the year, there were high prices for CO₂ emission allowances, high oil prices, and when gas supplies from Russia were severely reduced, this led to very high electricity prices across Europe. The impact on SCA's operations was insubstantial as own electricity consumption was in line with the in-house production of green electricity.



LOGISTICS

Own logistics important in a time of uncertainty



LOGISTICS



Logistics is a core operation for a forestry company. Raw materials have to be delivered to production facilities and products have to be shipped to customers worldwide. Due to its own logistics organization, SCA has been able to counter market turbulence and a strong increase in costs.

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

Raw-material transportation

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

The SCA unit that uses the most timber is the Östrand pulp mill, which is largely supplied by rail. Timber can also be transported from Southern and Central Sweden at a competitive cost by using efficient rail transportation.

Timber imported to SCA's plants, mainly from the Baltic region where SCA owns forest, is shipped by sea. SCA's timber imports are very modest at present.

Efficient road transport by truck is economic and environmentally friendly. Timber trucks with a 74-tonne capacity are now permitted on Swedish roads. These trucks can transport 15% more timber than previously allowed, while reducing environmental impact. A limited, but growing, part of the road network in northern Sweden is available for 74-tonne trucks. SCA is working to make a greater number of roads available for these more efficient trucks. SCA swaps timber with other forest product companies to reduce transport distances to industry and thereby reduce costs and emissions as much as possible.

SCA is working together with its suppliers to drive the development of electric trucks and forklifts.

Delivery of finished products

The turbulence experienced by global logistics chains in recent years continued into 2022. This year, the impact of Russia's

invasion of Ukraine was also felt with increased fuel costs and new transport patterns.

With these swift changes in market conditions, it has been important to have our own logistics organization and control over transportation. This helped to devise fast and flexible solutions for customers and SCA's business areas in response to rapidly changing conditions.

Most of SCA's finished products are transported by ship. Pulp and solid-wood products are transported from the industrial sites using bulk carriers and containers in our own vessels and vessels from other shipping companies. The ongoing expansion of the ports in Sundsvall and Umeå allows for larger vessels and more efficient container handling. Several of SCA's sawmills also have their own ports for shipment at the production plants.

Again in 2022, there were major disruptions to global transport flows, particularly for containerized freight. There has also been a significant lack of capacity for trucks and other transportation, as well as disruptions to rail and barge freight. SCA's logistics organization has successfully countered a large portion of these disruptions and cost increases.

SCA's RoRo vessels are being optimized to transport kraftliner and return with input materials to SCA's industries. These vessels operate scheduled services and timetables between terminals in Umeå, Sundsvall, Kiel, Rotterdam and London, but also stop off at other ports during their northbound journey to provide competitive logistics services for external freight. The use of this transportation system enables SCA to maintain a high level of customer service at a low transportation cost and with little environmental impact.

Work is continuing to reduce environmental risks and environmental impact from SCA's own vessels, including the use of biobased and biodegradable grease and oil.

Within Sweden, SCA operates rail shuttles between Piteå, Umeå and Skövde for deliveries to customers in southern Scandinavia. The same block trains transport production materials northbound.

◀ SCA's RoRo vessels operate scheduled routes between terminals in northern Sweden, in the UK and on the continent. They offer cost-efficient shipping in both directions.



SCA's platform for sustainable development



SUSTAINABILITY – GROUP TARGETS

**Sustainability is an integrated part of all SCA activities.
In prioritized areas, the company has established long-term
Group targets to be achieved by 2030.**

<p>Fossil-free world</p>	<p>Valuable forests</p>	<p>Efficient use of resources</p>	<p>Sustainable development</p>
<p>SCA generates climate benefits by growing forests that bind CO₂, renewable products that replace fossil-based products and lowering emissions from its own value chain.</p>	<p>SCA's forests should at least be as rich in biodiversity, nature experiences and raw material in the future as they are today.</p>	<p>All wood raw material that can be sawn is used for wood products. Timber that is not used for wood products becomes paper and pulp. Anything unsuitable for use in fiber products is used for energy.</p>	<p>With the force of the forest, we contribute to a sustainable future.</p>
<p>Group target 2030 Increase SCA's climate benefit from 10 to 15 million tonnes of CO₂ per year.</p>	<p>Group target 2030 100% of wood raw material to come from responsibly managed forests.</p>	<p>Group target 2030 Zero waste.</p>	<p>Group target 2030 SCA contributes to sustainable development in the communities in which we operate.</p>



Profitable growth

Long-term profitable growth is a prerequisite for sustainable development.
Group target 2030: Leading total shareholder return.



Value-based culture

We live according to our core values – responsibility, respect and excellence
Group target 2030: An accident-free and healthy SCA where all employees comply with SCA's Code of Conduct.

Sustainable development and a long-term approach
For forest owners in northern Sweden, a long-term approach is the natural perspective. A seedling takes up to a century or more to grow into a mature tree and then – in an efficient processing chain – becomes solid-wood products, fiber products and bio-energy, products that can replace fossil materials and fuels.

In other respects, such as biodiversity, perspectives must be even longer and consider processes that extend over several centuries. One tree out of five in SCA's forests is left to live and die a natural death, become food for insects and wood-decay fungi, decompose, and become part of the long-term circular ecosystem.

Sustainability is an important aspect in each of SCA's activities. In crucial areas, SCA can contribute to sustainable development, but the company must also strive to reduce any environmental impact from its operations. It is important to have a holistic view in order to find an optimal balance between different sustainability priorities.

The sustainability platform describes SCA's entire business. To deliver progress in sustainability, the company has adopted Group targets in particularly important areas where SCA can make a key contribution toward sustainable development.

These long-term targets will guide long-term priorities and be achieved by 2030.

◀ SCA forest land shall hold at least as much timber, biodiversity and experiences in the future as it does today.



FOSSIL-FREE WORLD

Increasing production of renewable energy



FOSSIL-FREE WORLD



The climate is the key issue of our time. In order to mitigate the trend toward a warmer and more chaotic climate, fossil CO₂ emissions must be reduced. The fastest and most effective way to reduce these emissions is to replace fossil energy with renewable – renewable electricity, bioenergy and biofuels.

Forest – more than a carbon sink

The forest makes a substantial contribution to combating climate change. Through photosynthesis, the forest binds CO₂ from the atmosphere and stores it in the tree. When the tree is harvested, at least two new trees are planted to replace it and the harvested tree is used to make products that help society reduce the use of products with a large carbon footprint.

An intensive discussion is taking place, particularly in the EU, about increasing the role of the forest as a carbon sink. The reasoning is that the forest can bind CO₂ from the atmosphere as it grows, which is then stored in the living biomass. Forest owners are to be encouraged to reduce harvesting and instead store carbon in standing forest. Such a policy would lead to a gradual reduction in forest growth, given that growth slows as trees age. The forest would also become more susceptible to risks such as storms, fire or insect damage, since older trees are less resilient to these threats than younger trees. Sooner or later every tree dies and decomposes, and the bound carbon is released back into the atmosphere. Using forest as a carbon sink is therefore a short-term, uncertain, and increasingly risky climate policy.

Bio-based carbon reduction – key to climate efforts

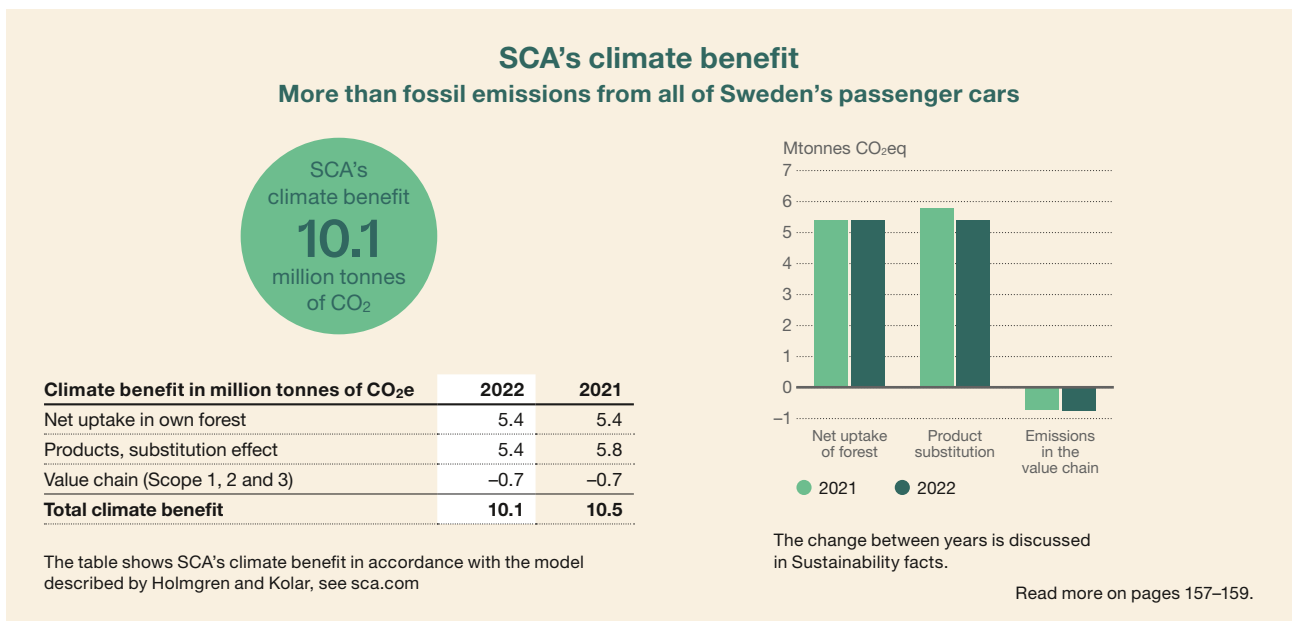
In 2022, SCA contributed climate benefit of 10.1 million tonnes of CO₂. 5.4 million tonnes of this amount arose when products with

a carbon footprint were replaced by products made from, or based on, biomass from the forest.

A reduction in harvesting would entail a decrease in the flow of renewable raw materials. The production of solid-wood products, pulp, paper and bioenergy would therefore decrease. At the same time, the needs met by these products would still exist. This would lead to an increase in the use of products that are a greater burden on climate and the environment – forest products from other countries with less sustainable forestry practices, and products such as concrete, aluminum, plastic, and fossil fuels. Using forest as a carbon sink does not even offer short-term benefits for the climate since the increased climate burden from alternative consumption exceeds the net sequestration of CO₂ in the forest as a carbon sink.

Effective work to combat climate change must focus on reducing fossil CO₂ emissions and leaving fossil carbon in the ground, not on compensating for continued fossil CO₂ emissions through the short-term storage of CO₂ in aging forests.

In addition to the climate benefit of the forest and forest products, there is also the climate benefit from increased wind power production on SCA's land.



◀ A tree binds carbon dioxide when it grows. The more it grows, the more carbon dioxide it binds.



VALUABLE FORESTS

Systematic effort to promote biodiversity



VALUABLE FORESTS



Responsible forest management combines high levels of production of valuable renewable raw materials with extensive protection of the forest's other values and ecosystem services – biodiversity, reindeer herding, archaeological sites, nature experiences and much more.

Long-term planning

Forests in northern Sweden grow slowly, which requires a perspective extending for more than a century when planning forest operations. The forests are managed to provide higher growth and, over time, greater harvesting volumes. Since SCA began to systematically measure its forest at the end of the 1940s, standing volume – the volume of living, growing trees – has increased by more than 60% and growth has more than doubled. During these 70 years, SCA has also harvested more timber than what is currently standing on the company's land.

This development has taken place because SCA has spent many years managing its forest with a long-term and conscientious approach. Standing volume, growth and harvesting potential will continue to increase. Correctly managed, the forest is a perpetual resource.

Ecological landscape planning

The objectives of SCA's forest operations extend beyond timber production. The most important sustainability target in the company's forest management is the protection of biodiversity. The conditions should be in place for all flora and fauna on SCA's land to enable them to continue living there in the future. This requires a variety of habitats in SCA's forests that can offer space for all of the forest's flora and fauna.

SCA's entire forest holding has been subject to ecological landscape planning for many years. The planning identifies forest areas with the highest conservation values, such as the abun-

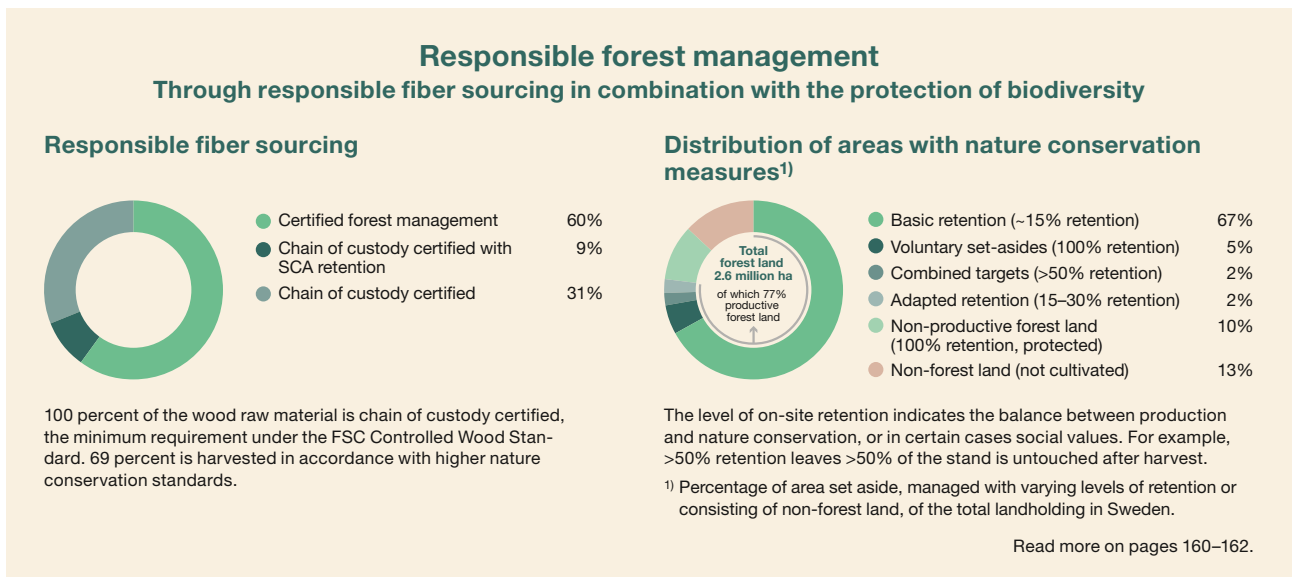
dance of Red-listed species. These forests are set aside and left untouched or managed solely to promote conservation values. Such areas are known as voluntary set-asides. In forests with intermediate conservation values, land use is combined with measures to preserve or develop conservation values. These are called forests with combined targets. In forests with some, but more limited, conservation values, we apply adapted retention. This could mean that harvesting is adapted to the needs of a specific species by leaving a larger share of the forest as conservation patches and eternity trees.

The remaining parts of SCA's forests are managed with basic environmental consideration, so called basic retention, where conservation patches, buffer zones and trees are left after all harvesting and other forestry measures. No harvesting takes place on non-productive forest land or land that is not classified as forest land.

Preserve and create new habitats

This overarching work is combined with focused efforts to preserve and create new habitats for species for which the company believes it has a particular responsibility, SCA's protected species. These 203 species have varying needs. Some require an undisturbed habitat, while others want major disturbances, such as fire. SCA is now setting targets for the size of the protected species' habitats that it will safeguard in the years ahead.

One tree out of five on SCA's productive forest land is left to live, to die a natural death, and ultimately to become a part of the natural circular ecosystem.



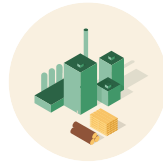
SCA works to preserve biodiversity in the company's forests. SCA protects and creates new habitats for sensitive flora and fauna.



EFFICIENT USE OF RESOURCES

Doing more with less

EFFICIENT USE OF RESOURCES



SCA is striving to reduce waste and resource consumption throughout its entire value chain and to raise the value of products and waste streams. This improves profitability and reduces impact on the climate and the environment.

Waste streams are utilized

Half a century ago, sawdust was a disposal problem. Waste from the production of wood products was sent to landfills or incinerated without utilizing the energy released. Later the sawdust started to be used as fuel in boilers that produced heat to dry timber at the sawmills, and since the 1990s sawdust has been used as a raw material in the production of fuel pellets.

Residual products are increasingly utilized. Soda recovery boilers at kraft pulp mills have become more efficient and now produce not only all the mill's heating and electricity, but also supply energy and electricity to the surrounding community. By-products such as turpentine and especially tall oil have become valuable input goods and important in the transition to fossil-free fuels and chemicals. Studies are taking place into whether black liquor can be used as a raw material for advanced products instead of being used as fuel.

Bark, sawdust, clearcut residues, roadside brushwood, biosludge and a number of other residual products and unutilized resources are now used as raw materials in processes that

are increasingly advanced and in demand. This development has largely been driven by efforts to combat climate change and the need to find alternatives to oil and gas.

Reduced costs and increased value

Throughout its entire value chain, SCA is working systematically to reduce resource consumption and increase the value of the products it manufactures. These improvement initiatives do not only concern production but also planning, logistics and all other elements of the company's business. The company's central research unit, SCA R&D Centre, and SCA's operations are also jointly conducting developments to increase the efficiency of processes and develop products in SCA's various segments.

A significant portion of SCA's innovation and development work now also concerns taking greater advantage of waste streams and finding ways to increase product values. For example, a study is investigating ways to use residual products from pulp production as food for insect larvae, which can in turn be used as a source of protein.



◀ What used to be seen as residual products are now valuable raw materials. Bark is used to produce heat and electricity, and may become a raw material for biofuels and green chemicals in the future.



SUSTAINABLE DEVELOPMENT

A good corporate citizen



SUSTAINABLE DEVELOPMENT



SCA contributes to sustainable development in the communities in which the company operates. Through collaboration with others – customers, suppliers, local communities, NGOs – sustainability initiatives can gain better focus and be more effective.

Responsibility for people and the community

The previous wording of this sustainability target also included the company's internal health and safety initiatives. This has been highly prioritized and although the trend has been positive for several years, focused efforts are continuing to ensure that all employees can return home from work healthy and in one piece, every day.

SCA is now transferring work with employee health and safety to SCA's value-based culture. Reporting of this work will remain at the same level as previously.

This change will provide a clearer focus on SCA's impact and engagement in the community in which the company operates.

More than half back

Business operations naturally have a major impact on the company's surroundings. SCA purchases timber from private forest owners, services from local contractors, pays salaries to employees, dividends to shareholders and performs many other business transactions that affect the surrounding community. Of all SCA's payments in 2022, more than half were to recipients in the four northernmost counties of Sweden, where SCA has most of its forests and its industrial operations.

Viable local communities

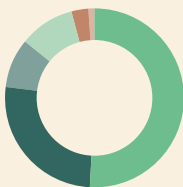
SCA makes an active contribution to vibrant local communities and to regional development. SCA's operations generate direct and indirect values. In addition, SCA provides income and experiences from hunting, fishing, recreation and local associations. SCA supports local sports and culture associations and clubs to help provide meaningful leisure activities and attractive local communities.

Collaboration

SCA collaborates with a number of stakeholders in several areas. Together with customers, the company investigates and optimizes climate and environmental effects across supply chains that concern multiple operators. SCA seeks to collaborate with, and contribute to the development of, companies that can take full advantage of waste and secondary streams from the company's production activities or utilize other company assets.

SCA collaborates with non-profit organizations to develop the company's sustainability agenda. Particularly in education, research and business development, SCA is contributing to a rich and sustainable future.

Economic value creation 2022



The area of the circle represents the total inflow into SCA.

SCA is an important source of prosperity and welfare. The company's operations generate economic values for shareholders, employees, suppliers, investors and society. A large portion of payments to suppliers are made to SCA's local area in northern Sweden. This is particularly the case for purchasing wood raw material and contractors' services.

◀ SCA's forests provide employment through forest operations and industrial production. But they also offer a basis for other operations. They are, not least, a source of recreation and experiences, such as hunting.



THE SHARE AND THE SHAREHOLDERS

The share and the shareholders

The SCA share is quoted and traded on Nasdaq Stockholm. The company's market capitalization was approximately SEK 93bn at the end of the year.

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

Share performance

At the end of 2022, SCA's Class B share was listed at a price of SEK 133.40 and SCA's Class A share at SEK 131.95, corresponding to a market capitalization of SEK 93bn. SCA's Class B share noted a decline of -18% during the year. During the corresponding period, the index of the 30 most traded shares, OMX Stockholm 30, declined by -16%. The highest closing price for SCA's Class B share was SEK 202.80, which was noted on April 14. The lowest closing price during the year was SEK 130.25, noted on November 2. Since the distribution of Essity in 2017, the total return for SCA's Class B share has been 126%, which compares with a total return for OMX Stockholm 30 of 46%.

Share trading

During 2022, trading on all marketplaces amounted to approximately 1,358 million (1,018) SCA shares. On Nasdaq Stockholm, approximately 400 (402) million SCA shares changed hands. Average daily trading for SCA on Nasdaq Stockholm amounted to approximately 1.6 million shares. During the year, the SCA share was also traded on other market places: 718 million shares

on Cboe Global Markets, approximately 189 million shares on LSE Group, and approximately 50 million shares on other market places.

Ownership structure

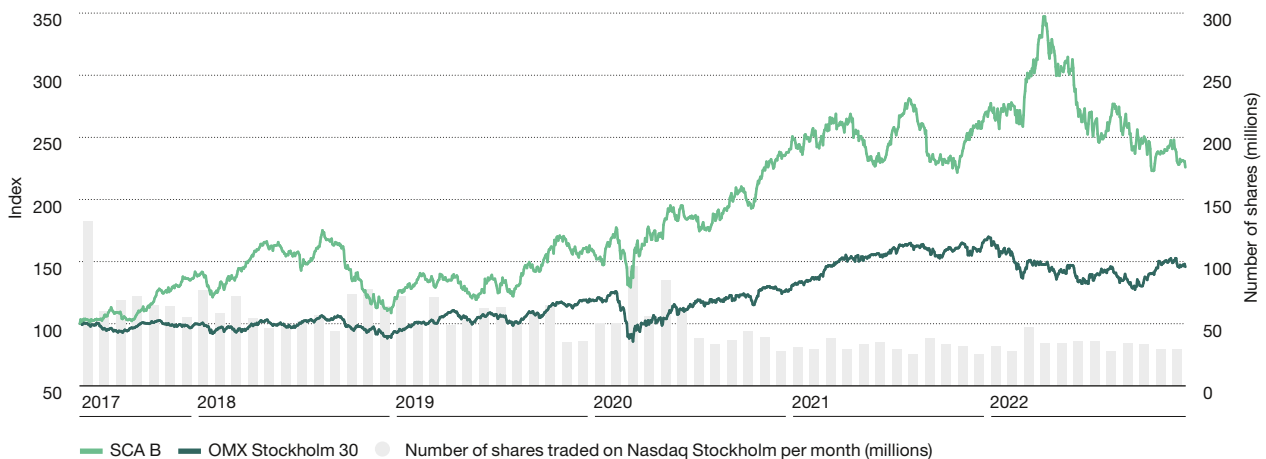
SCA had approximately 110,000 shareholders as of December 31, 2022. At the end of the year, some 55% (57) of the share capital was owned by Swedish investors and 45% (43) by investors outside Sweden. Ownership was divided among Swedish institutions with 43%, foreign institutions with 35%, Swedish private individuals with 10% and other owners with 12% of the share capital. The US and Norway accounted for the highest percentages of shareholders registered outside Sweden.

Dividend and dividend policy

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

For the 2021 fiscal year, a dividend of SEK 3.25 per share was disbursed, of which SEK 2.25 was the regular dividend and SEK 1.00 an extra dividend. The Board of Directors proposes a dividend of SEK 2.50 per share for the 2022 fiscal year.

Total shareholder return, index



Source: Nasdaq



THE SHARE AND THE SHAREHOLDERS

SCA's ten largest shareholders, as of December 31, 2022

Shareholders	No. of Class A shares	No. of Class B shares	Capital (%)	Votes (%)
Industrivärden	33,785,290	38,300,000	10.3	29.3
Norges Bank	8,066,000	42,446,457	7.2	9.6
AMF Pension & Fonder	2,100,000	57,653,402	8.5	6.1
Handelsbanken Pension fund	3,827,747	5,846,050	1.4	3.4
Alecta Tjänstepension		32,491,495	4.6	2.5
Vanguard	485,386	21,395,243	3.1	2.0
BlackRock	111	24,935,008	3.6	1.9
T. Rowe Price		21,820,668	3.1	1.7
Swedbank Robur Funds		16,828,548	2.4	1.3
Pensionskassan SHB Försäkringsförening	1,303,000	3,576,950	0.7	1.3
Ten largest	49,567,534	265,293,821	44.8	59.3
Other	15,014,460	372,466,674	55.2	40.7
Total	64,581,994	637,760,495	100.0	100.0

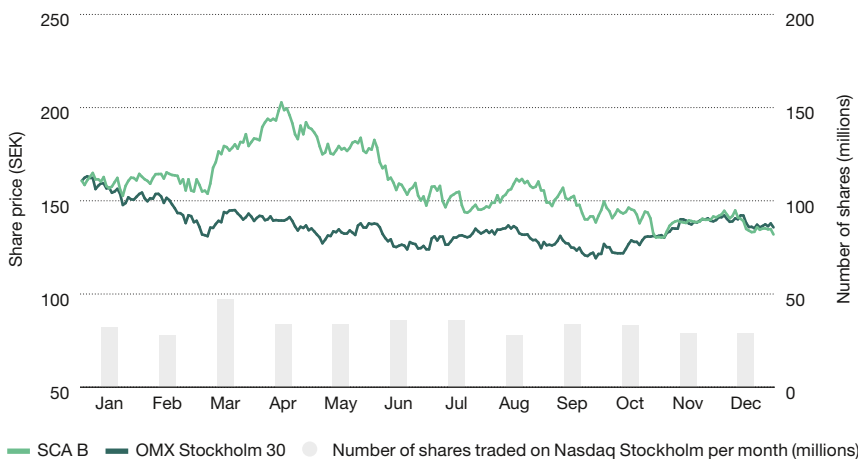
Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for certain shareholders.

Shareholder structure, as of December 31, 2022

Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1-500	83,389	10,504,177	1.5	1.8
501-1,000	11,873	9,113,093	1.3	1.5
1,001-5,000	12,163	26,370,838	3.8	4.3
5,001-10,000	1,529	10,993,719	1.6	1.8
10,001-20,000	613	8,764,562	1.2	1.2
20,001-50,000	303	9,404,030	1.3	1.4
50,001-100,000	130	9,413,124	1.3	1.3
100,001-	218	555,201,786	79.1	81.3
Anonymous owners		62,577,160	8.9	5.4
Total	110,218	702,342,489	100.0	100.0

Source: Modular Finance

Share price and trading volume 2022



Source: Nasdaq

Shareholders by country, capital



- Sweden 55%
- US 18%
- Norway 8%
- Other 19%

Source: Modular Finance

Types of ownership, capital



- Swedish institutional owners 43%
- Foreign institutional owners 35%
- Swedish private individuals 10%
- Other 12%

Source: Modular Finance

Earnings per share (SEK)

9.61

Proposed dividend per share (SEK)

2.50



Board of Directors' Report

SCA is Europe's largest private forest owner with 2.7 million hectares of land in northern Sweden and the Baltic region. The forest is a real asset, which grows each year and forms the core of SCA's operations. Around this renewable resource SCA has built a well-invested and efficient value chain, which is maximizing the value of each tree.

Operations and organizational structure

The forest is at the core of SCA's operations. Around this resource, SCA has built an integrated and well-invested industry, which is utilizing and maximizing the value of the entire tree. Using the raw materials, SCA develops products for customers all over the world with high demands on quality, delivery reliability, service and sustainability. The most valuable part of the tree is used for sawlogs and as much as possible of the timber is sawn to become solid-wood products for industrial customers and the

building materials trade. Bark is used in energy production. Woodchips together with the upper part of trees are used to make pulp and paper for further processing by customers into tissue and packaging. Sawdust is used to make pellets for energy production at SCA and externally. Steam and by-products from pulp production are used to deliver heat to the local district heating system, generate green electricity and also produce liquid biofuels and green chemicals. As Europe's largest private forest owner, SCA also has many areas of land with favorable wind conditions.

Organization and reported segments

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

Business areas

- The Forest business area has the overall responsibility to supply SCA's industries with wood raw material. The business area is responsible for managing and harvesting on SCA's own forest land comprising 2.7 million hectares in northern Sweden and the Baltic region, for sourcing wood raw material from other forest owners and for transporting the wood raw material to SCA's industries.
- The Wood business area is responsible for the solid-wood business, which comprises five sawmills in northern Sweden and wood processing and distribution to the building materials trade in Sweden and France.
- The Pulp business area is responsible for the pulp business, consisting of bleached softwood kraft pulp (NBSK) and chemi-thermomechanical pulp (CTMP), both currently produced at the Östrand pulp mill.
- The Containerboard business area is responsible for the containerboard business, with kraftliner manufacturing at the Obbola and Munksund paper mills. SCA discontinued its publication paper production during the first quarter of 2021.
- The Renewable Energy business area operates and develops SCA's business in the renewable energy segment, which includes the development of wind power projects, pellets manufacturing and sales, and the use of biomass from industry in energy production.

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

Group functions

SCA has five Group functions: Sustainability and Communications, Human Resources, Finance, Legal Affairs and Strategic Development.

Segments

Up to and including 2022, SCA's financial reporting was conducted in four segments, which are slightly different to the business areas described above. As of January 1, 2023, Renewable Energy is a separate reporting segment.

The Forest segment includes the Forest business area and, in 2022, the activities in sustainable energy linked to the forest that are managed by the Renewable Energy business area, primarily wind power leases and the sale of by-products from the forest for energy purposes. The Wood segment includes the Wood business area and, in 2022, the activities linked to the sawmills that are managed by the Renewable Energy business area, primarily pellets production.

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

Organization



Events during the year

Investments

Investment in Obbola kraftliner mill

In 2019, SCA decided to invest in a new paper machine for the production of kraftliner at the Obbola paper mill in Umeå. Production in Obbola will increase from 450,000 tonnes of kraftliner to 725,000 tonnes per year to meet an expected increase in demand for renewable packaging. The total investment will be approximately SEK 7.5bn and is recognized as a strategic investment. The investment will also replace necessary reinvestments in Obbola of about SEK 2.5bn.

The paper machine began operating at the end of 2022, which was thus earlier than scheduled. The new recovered fiber line, which is necessary to reach full capacity at Obbola, is being constructed on schedule and is expected to be completed in the first half of 2023. The new machine's ramp-up to full capacity is expected to take three years. The investment is progressing on budget.

Investment in expanded pulp capacity

In 2020, SCA decided to invest SEK 1.45bn in the production of chemi-thermomechanical pulp (CTMP) to achieve an annual production volume of 300,000 tonnes of CTMP at the Ortviken site, where some existing infrastructure and mechanical equipment is being utilized. Production started at the new facility at the end of 2022, which was earlier than scheduled. The investment is proceeding on budget and is recognized as strategic capital expenditure.

SCA invests in the production of biofuels

SCA and St1 decided in 2021 to form a joint venture to produce and sell liquid biofuels. A jointly financed biorefinery is under construction and will have access to SCA's tall oil, a product from the production of kraft pulp. SCA's part of the investment in the biorefinery is approximately SEK 0.6bn and its ownership share is one quarter. The facility is expected to begin operations at the end of 2023.

New dry sorting line in Bollsta

SCA resolved in 2019 to construct a new dry sorting line at the sawmill in Bollsta that will replace two old lines. The total investment will amount to about SEK 600m and is funded within the company's existing framework for current capital expenditure. The reinvestments will concentrate operations to a single location, which will reduce production costs, increase efficiency and create a clear foundation for continued expansion.

Investment in forest land in the Baltic region

SCA has an ongoing investment program to acquire 100,000 hectares of forest land in the Baltic region. At the end of 2022, SCA had a holding of approximately 69,000 hectares of land in the Baltic region, of which 57,000 was forest land and 12,000 hectares other land which can be converted into forest land or sold. The acquisitions are recognized as strategic capital expenditure and will strengthen SCA's long-term opportunities to source timber in the region.

Investing in wind power

In the fourth quarter, SCA acquired a wind farm in Markbygden, Piteå Municipality, for approximately SEK 0.8bn recognized as a strategic investment. The farm comprises 36 turbines with a total installed capacity of approximately 85 MW. Annual electricity production from the facility is estimated at almost 200 GWh.

Forest assets

Increased standing volume

The annual gross growth in SCA's Swedish forest holding amounts to approximately 10.5 million m³fo, according to the survey conducted in 2019. SCA's total standing volume amounted to 267 million m³fo as of December 31, 2022, of which 7 million m³fo is in the Baltic region.

Higher growth enables increased harvesting

Higher growth gives greater long-term harvesting potential and means an increase in the contribution made by SCA's forests to

BOARD OF DIRECTORS' REPORT

reducing the adverse effects of climate change. According to the latest harvesting plan from 2020, the planned annual harvesting can gradually increase from the previous 4.3 million m³sub in 2020 to about 5.4 million m³sub in 2025. The new harvesting plan also contributes to a gradual increase in long-term cash flow with full effect from 2025, when the increased harvesting level is expected to give a positive impact on cash flow of SEK 300–400m per year.

Higher transaction prices for forest assets in northern Sweden

SCA bases its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest. The market value of forest increased in 2022. The average market price on December 31, 2022 used in valuation of SCA's forest assets was SEK 366/m³fo. Applied to SCA's standing timber volume of 267 million m³fo on December 31, 2022, the carrying amount of SCA's forest assets was SEK 97.9bn at the end of the year. On December 31, 2021, the market price amounted to SEK 324/m³fo and the carrying amount was SEK 84.5bn.

Financial performance

Net sales

In 2022, SCA's sales were the highest ever. Demand and prices increased in all product areas and exceeded the preceding year. Net sales amounted to SEK 20,794m (18,822), a change of +10%, of which price/mix accounted for +12%, currency +4%, the discontinuation of publication paper operations –3%, and volume –3%.

In the Forest segment, net sales increased 9% to SEK 6,686 (6,148), primarily related to higher selling prices for sawlogs and pulpwood.

In the Wood segment, net sales decreased 5% to SEK 6,753m (7,080). The decrease was related to lower selling prices and lower delivery volumes. Exchange rate effects had a positive impact on sales.

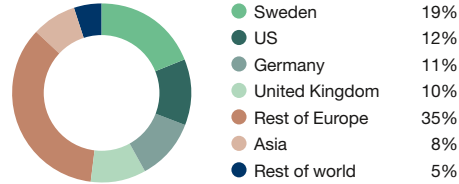
In the Pulp segment, net sales increased 26% to SEK 7,209m (5,743). The increase was attributable to higher selling prices and positive exchange rate effects.

In the Containerboard segment, net sales increased 25% to SEK 6,823m (5,456). The increase was primarily related to higher selling prices.

In addition to net sales, SCA's other operating income amounted to SEK 3,163m (2,649) in 2022. Other operating income comprises products and services such as energy products, sales of freight services to external customers and wind power leases (see Note B1 and B2).

SCA is an export-oriented company and approximately 80% of net sales relate to sales outside of Sweden. The largest individual export markets are the US (12% of net sales), Germany (11%) and the UK (10%).

Net sales by geography in 2022

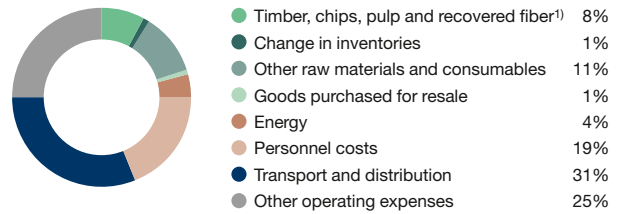


Cost structure

SCA's total operating expenses in 2022 were SEK 13,740m (12,433), an increase of 11% compared to 2021. The item timber, woodchips and recovered fiber was reduced due to a positive change in the value of biological assets of SEK 1,825m (1,753). The largest share of the cost base comprises transportation and distribution costs (31%), other operating expenses (25%), personnel costs (19%), and other raw materials and consumables (11%).

Research and development (R&D) costs during the year amounted to SEK 45m (31).

Cost structure 2022



¹⁾ Timber, woodchips and recovered fiber also includes the change in value of biological assets.

Performance

Earnings for 2022 were the highest ever for SCA. EBITDA increased to SEK 10,194m (9,109), corresponding to an EBITDA margin of 49.0% (48.4). The change was mainly attributable to higher selling prices in containerboard and pulp and positive exchange rate effects. Higher distribution and raw material costs as well as lower volumes had a negative impact on earnings. The cost of planned maintenance stops amounted to SEK 300m (310).

In the Forest segment, EBITDA was in line with last year at SEK 2,696m (2,644), corresponding to an EBITDA margin of 40.3% (43.0). Higher selling prices for sawlogs and pulpwood were offset by higher costs for harvesting, transportation and forest management, primarily related to higher fuel prices.

In the Wood segment, EBITDA declined 30% to SEK 2,079m (2,968), which was attributable to higher raw material costs, lower selling prices and lower delivery volumes. Exchange rate effects had a positive impact on earnings.

In the Pulp segment, EBITDA increased 41% to SEK 2,961m (2,096). EBITDA margin was 41.1% (36.5). The increase mainly relates to higher selling prices and positive exchange rate effects, which were partly offset by higher raw material costs. The cost of planned maintenance stops amounted to SEK 171m (159).

BOARD OF DIRECTORS' REPORT

In the Containerboard segment, EBITDA increased 62% to SEK 2,852m (1,761). The increase was mainly attributable to higher selling prices, which were partly offset by lower delivery volumes and higher raw material costs. The cost of planned maintenance stops amounted to SEK 129m (151).

Depreciation and impairment amounted to SEK 1,552m (1,475).

Operating profit amounted to SEK 8,642m (7,634).

Financial items amounted to SEK -39m for the year, compared with SEK -107m in the same period of the preceding year.

The Group's tax expense amounted to SEK 1,782m (1,426), corresponding to a tax rate of 20.7% (18.9).

Earnings per share amounted to SEK 9.61 (8.46).

Condensed consolidated income statement

SEKm	2022	2021	Comparison %
Net sales	20,794	18,822	10
Other operating income	3,163	2,649	19
Operating expenses	-13,740	-12,433	11
Revenue from participations in associated companies	-23	71	
EBITDA	10,194	9,109	12
Depreciation and impairment	-1,552	-1,475	5
Operating profit	8,642	7,634	13
Financial items	-39	-107	
Profit before tax	8,603	7,527	14
Taxes	-1,782	-1,426	
Profit for the period	6,821	6,101	12
Profit for the period attributable to owners of the Parent	6,748	5,941	
Profit for the period attributable to non-controlling interests	73	160	
Key figures			
EBITDA margin, %	49.0	48.4	
Earnings per share	9.61	8.46	

Reasons for changes in EBITDA (%) in 2022 compared with 2021

	2022
Price/mix, %	25
Volume, %	-4
Raw material costs, %	-11
Energy costs, %	0
Currency, %	6
One-off items for discontinuation of publication paper, %	-1
Other, %	-3
Total, %	12

Cash flow

The operating cash surplus amounted to SEK 8,331m (7,226). The cash flow effect of changes in working capital was SEK -1,328m (-306). Restructuring expenditure related to the discontinuation of publication paper operations amounted to SEK -40m (-394). Current capital expenditures, net, totaled SEK -1,436m (-1,236). Operating cash flow was SEK 5,685m (5,216). Financial items amounted to SEK -39m (-107) and tax payments increased to SEK -859m (-538). Corporate acquisitions amounted to SEK -832m (0). Strategic capital expenditures totaled SEK -4,351m (-3,723) and primarily related to the investment in increased kraftliner production in Obbola, increased pulp production at the Ortviken industrial site and the acquisition of the wind farm in Markbygden, Piteå Municipality. Cash flow before dividend for the period was SEK -320m (876).

Operating cash flow statement

SEKm	2022	2021
Operating cash surplus	8,331	7,226
Change in working capital	-1,328	-306
Structural expenses	-40	-394
Current capital expenditures, net	-1,436	-1,236
Other operating cash flow	158	-74
Operating cash flow	5,685	5,216
Financial items	-39	-107
Paid tax	-859	-538
Other	56	27
Cash flow from current operations	4,843	4,598
Corporate acquisitions	-832	0
Divestments	20	0
Strategic capital expenditures in non-current assets	-4,351	-3,723
Cash flow before dividend	-320	876

Financial position

SCA's capital employed totaled SEK 106,347m (90,807) as of December 31, 2022, an increase during the year of SEK 15,540m. The increase was mainly related to the change in value of forest assets of SEK 13,385m. At December 31, 2022, net debt totaled SEK 9,989m, an increase during the year of SEK 2,237m. Net debt in relation to EBITDA amounted to 1.0x compared with 0.9x in the preceding year. Total equity increased by SEK 13,303m during the period, to SEK 96,358m at December 31, 2022.

Balance sheet structure

SEKm	Dec 31, 2022	Dec 31, 2021
Forest assets	97,882	84,497
Deferred tax related to forest assets	-19,468	-16,905
Working capital	4,138	2,823
Other capital employed, net	23,795	20,392
Total capital employed	106,347	90,807
Net debt	9,989	7,752
Net debt/EBITDA	1.0x	0.9x
Equity	96,358	83,055
Net debt/Equity, %	10.4	9.3



Other Group information

Parent Company

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

In 2022, operating income amounted to SEK 292m (291) and profit before tax amounted to SEK 3,551m (3,218). For more information, refer to pages 130–138.

Holdings of treasury shares

SCA holds no treasury shares.

Distribution of shares

The total number of shares as per December 31, 2022, amounted to 702,342,489, of which 64,581,994 Class A shares and 637,760,495 Class B shares. At the request of shareholders, 5,000 Class A shares were converted to Class B shares in 2022.

Dividend

The Board of Directors proposes a dividend of SEK 2.50 per share. The record date for entitlement to receive dividends is proposed as April 3, 2023.

Environmental impact in Sweden

In 2022, SCA operated 12 manufacturing sites for which a permit is required in Sweden. The value of deliveries from operations for which permits are required accounted for more than 90% of consolidated net sales in 2022. Four permits relate to the manufacture of pulp and paper. These operations impact the environment through emissions to air and water, solid waste and noise. Seven permits relate to the production of solid-wood and processed wood products, and biofuels and one permit pertains to the manufacture of fuel pellets. These operations impact the environment through emissions to air and water, and noise.

Guidelines for remuneration of senior executives

The 2022 AGM decided on the guidelines for determining salaries and other remuneration for senior executives. The guidelines apply until the 2026 AGM, unless material changes are implemented prior to that.

SCA's current guidelines for the remuneration to senior executives are described in Note C3. Information about the application of the current guidelines and the costs for the remuneration to senior executives is also described in Note C3 and in SCA's remuneration report, pages 180–181 and on www.sca.com.

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

Sustainability work is integrated into SCA's operations, making it natural to allow sustainability reporting, in accordance with the Swedish Annual Accounts Act Chapter 6, to be part of a combined Annual Report and Sustainability Report 2022. This report relates to Svenska Cellulosa Aktiebolaget SCA (publ) and its subsidiaries, refer to Note F1 on page 126. The SCA Group, its operations and business model are described in the Board of Directors' Report on page 60. The Sustainability Report was submitted to the auditor at the same time as the Annual Report.

Governance of the sustainability agenda is described in the Corporate Governance Report and in the Sustainability facts section. SCA's Code of Conduct is the Group's primary steering document and sets, together with the Group's Sustainability Policy, the basis of SCA's sustainability agenda. Follow-up and evaluation of these policies complies with SCA's procedures for internal control and audits, as described in the Corporate Governance Report on pages 74–79. In addition, SCA's sustainability targets and priorities are also monitored through the Group's Sustainability Council.

The management of material risks in the sustainability area constitutes part of the Group's overall work with identifying and han-

dling risks. This process, identified risks and managing these risks are described in the Board of Directors' Report.

The strategic priorities for sustainability work, where SCA's value chain can be affected, how the areas are material for SCA's stakeholders, how they are governed and the most important result indicators are described in the sustainability facts, refer to the table on pages 142–143. The table also shows how social conditions, personnel issues, the environment, human rights and anti-corruption form part of SCA's sustainability agenda.

For the 2022 fiscal year, the requirements for reporting the Taxonomy-aligned share of activities covered by the EU Taxonomy for sustainable investments were extended. As a voluntary disclosure, SCA has chosen to disclose the portion of capital employed and the portion of revenue (turnover) when internal sales are included. The outcome for SCA is presented on pages 156, 170–172.

In addition to the information above, SCA's sustainability work and the outcome of this work is described in the Sustainability facts section, pages 139–173 and divided by area in the Swedish Annual Accounts Act according to the table below:

Area	General	Social conditions and employees	Environment	Human rights	Anti-corruption
Business model	10–11, 16–17				
Policies and results	142–144	148–154	148, 157–166, 168–169	148–150, 153	149
Risks and risk management	65–73	66–68	66–67, 71–73	66–68	66–68
Targets and outcomes	141, 184–185	142–143, 148, 154	142–143, 148, 168–169	142–143, 148–150, 153	142–143, 148, 153

Risks and risk management

SCA is exposed to a number of risks. These risks pertain to factors or events that may impact SCA's brand and credibility and ability to be a sustainable company with good profitability over time. Through effective risk management, SCA is proactive in minimizing the risk and in reducing the negative effects should events occur. Most risks could have a positive or negative impact on the company. Examples include "Demand and market price for SCA's products" and "Raw material prices". The current geopolitical situation and the energy situation in Europe affect several different risks and contribute to greater uncertainty when assessing risks than normal. SCA has included these and the possible impact of Covid-19 when assessing relevant risks.

Processes for risk management

SCA's Board determines the Group's strategic direction after recommendations from Executive Management. Responsibility for the long-term, overall management of risks corresponds with the company's decision and delegation scheme. This implies that most of SCA's operational risks are managed by SCA's business areas at the local level, but that the handling is coordinated when deemed necessary and effective. The tools for this work primarily comprise continuous reporting by the business areas

and the annual review of the risk scenario, where identifying, evaluating and managing risks are a part of the process. Identified risks are classified according to the likelihood of the risk occurring and the assessed impact on SCA's performance. Approved control measures are followed up and assessed within the framework of the company's internal control. When a risk scenario changes during the year, the measurement and management of relevant risks are updated.

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

SCA's corporate Internal Audit function ensures that SCA complies with policies and other governing documents, and that the organization implements approved measures to manage identified risks. The Internal Audit function reports to the Board of Directors through its Audit Committee.

Operational risks

Description of risk	Management and comments for the year
Demand and market price for SCA's products	
<p>Demand for SCA's products is influenced by several factors, such as the general economic trend, and also more specifically through trends in construction and in the building materials trade, as well as an increase in e-commerce. Other products and services can substitute SCA's products at the same time as SCA's products can replace other products and materials. SCA is benefiting from the substantial and growing need to replace fossil materials with renewable alternatives.</p> <p>Impact: ○ ○ ● Change: —</p>	<p>In most of the product areas where SCA operates, there are a number of competing producers and distinct market prices. Supply is determined by the available production capacity and price is based on supply and demand. Sales contracts can use market prices based on published price indexes, sometimes with a certain time lag to events in the market. Sales contracts can also state a price, which is valid for during the period of contract. Variations in market prices can cause significant fluctuations in profit for SCA.</p> <p>Several methods are used to address the risk of a fluctuating market price. Long-term contracts at fixed prices or price hedging only occur in exceptional cases. If the impact of price movements is expected to be negative and long-term, measures can be taken to adapt the cost scenario, for example, by renegotiating agreements, capacity or personnel changes, and reviewing the business structure. A transition to alternative production can also be considered where this is possible.</p> <p>The company's innovation efforts aim to develop new products, services and process solutions that enhance competitiveness.</p>
Raw material prices and other costs for input goods and services	
<p>The market price fluctuates over time for many of the input goods and services used in the manufacture of SCA's products. This could have a positive or negative impact on earnings. About 80% of SCA's cost base of SEK 13,740m is made up of raw materials, input goods and services. SCA's cost structure is described in the Board of Directors' Report.</p> <p>Impact: ○ ○ ● Change: ↑</p>	<p>Price movements on input goods and services can be managed in several ways. SCA has an integrated value chain with a high degree of self-sufficiency in wood, energy and logistics, which contributes to risk reduction. SCA is Europe's largest private forest owner and in 2022, 51% of SCA's wood raw material requirements were sourced from its own forests and chips from its own sawmills. Through its large forest holding and energy-efficient industrial processes, SCA is also a net producer of bioenergy.</p> <p>SCA is both a major user and producer of electricity. In 2022, SCA used 1.6 TWh of electricity while the company produced 1.4 TWh of electricity. In addition, the company has wind power leases that further reduced its net exposure. The price risk may also be reduced by using financial hedges and long-term contracts. According to internal rules, the electricity price risk can be hedged for up to 36 months. For 2023 approximately 65%, for 2024 about 56% and for 2025 0% of the forecasted net electricity consumption has been hedged. Under normal circumstances, no other price risks in input goods are hedged.</p> <p>Transport expenses account for a large share of SCA's cost base. Use of SCA's own logistics operations enables the system to be optimized and risks minimized. SCA also works actively to reduce cost risk by renegotiating contracts, identifying new suppliers or replacing input goods and services where prices have risen.</p>

An assessment of the potential impact on SCA based on a combination of likelihood and financial impact.

● Low ● Medium ● High

Refers to change compared with the preceding year.

↑ Increased risk (impact and/or likelihood) — Unchanged risk ↓ Reduced risk



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
Environmental impact	
<p>SCA's operations have an impact on air, water, land, noise levels and biological processes. These effects could lead to costs to prevent or limit the impact on the environment or costs to restore environments affected by SCA's operations. Demands for restoring the environment may also relate to the impact of SCA's previous operations.</p> <p>SCA's industrial operations in Sweden require a permit in accordance with the Swedish Environmental Code, which stipulates limits for the scope of operations and the permitted impact on surroundings. Any expansion or changes to operations may require further action. Forest operations are also impacted by the Swedish Forestry Act and the Land Acquisition Act.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA's Sustainability Policy details guidelines for the Group's work in environmental and social responsibility. Each production unit sets targets to reduce its environmental impact. The targets are based on evaluations of environmental aspects. Environmental risks are minimized through preventive work in the form of certified environmental management systems, control programs for compliance with environmental permits, and risk analyses in conjunction with acquisitions, as well as a through remediation projects in connection with plant closures. Through its Resource Management System (RMS), SCA monitors how the company utilizes energy, water, transport activities and raw materials. All employees are encouraged to report observations and incidents, which become part of preventive work and efforts to achieve continuous improvements. SCA has spent many years striving to steadily increase the share of renewable energy and minimize waste. SCA's integrated value chain helps to increase circularity as by-products from one process become raw materials for another process.</p>
Climate change	
<p>Climate change entails risk to SCA's operations. Changes to weather conditions could lead to drought, which in turn could lead to increased insect damage and fires. More storms increase the risk of storm damage. Timber harvesting and transportation could be impacted by a milder climate with more rain creating difficult terrain, particularly in the spring. Political decisions taken to reduce climate impact may affect the company in various ways.</p> <p>A changing climate could affect biodiversity in the company's forests as living conditions for various species are altered. Access to fresh water may be adversely impacted by a warmer climate.</p> <p>At the same time, climate change in the form of global warming is, to a certain extent, expected to have a positive impact by creating a more favorable climate for forest growth in northern Sweden.</p> <p>To counteract climate change, demand is increasing for renewable and fossil-free alternatives, which favors SCA.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>The main impact for the company is considered to be related to the forest and forest management. Since forest operations have a long perspective of 100 years, it is difficult to predict how different aspects of climate change will interact. A warmer climate will probably lead to higher growth in the forest but in parallel greater risk of pests and extreme weather conditions. Transition risks could entail both risks and opportunities. Increased demand for renewable energy and products based on renewable materials offer SCA an opportunity. Political decisions to limit climate change could positively or negatively impact the company, refer also to political risks.</p> <p>The company's industrial processes are almost fossil-free following structured efforts over many years involving energy optimization and the replacement of fossil fuels with biofuels. The company's largest exposure to fossil fuels is related to transportation and various measures are being taken to reduce consumption. One example is the electric timber truck that began operating in 2022 and that is being evaluated for timber transports to the paper mill in Obbola.</p> <p>A more detailed analysis of climate-related risks and opportunities is present on pages 70–73.</p>
Business ethics	
<p>Unethical behavior or poor management of risk linked to business ethics can damage SCA's brand and credibility. The company may also suffer fines and other legal sanctions. Through good business ethics, the company can contribute to a positive development across the value chain and minimize the risk of corruption and money laundering.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>To ensure that SCA and its employees live up to the company's core values and is not involved in or linked to unethical business practices, SCA has a Code of Conduct. This includes general rules for how SCA conducts its business and how the company's employees are to act toward each other and in business relationships. The Code is a policy approved by the Board of Directors and is regularly reviewed. The Code includes principles on business ethics, relationships to employees, respect for human rights and environmental considerations. All employees are educated in the Code as part of the introduction for new employees and through refresher courses.</p> <p>To ensure that SCA works with business partners that share these values, potential partners are evaluated before cooperation is initiated. The evaluation comprises both business issues and issues concerning existing policies and processes regarding, for example, the work environment and business ethics. Suppliers are expected to comply with SCA's Supplier Standard, which is regulated in supplier agreements. SCA uses a number of methods to monitor and safeguard the implementation of the Code of Conduct. These include checks in connection with acquisitions, risk evaluation of the company's own units and suppliers, and on-site audits of SCA's units and of suppliers deemed to have a higher risk level. SCA has a whistleblower system where both internal and external parties can report suspected violations of the Code, which are processed by the company's Compliance Council.</p>
Legal risks	
<p>SCA conducts operations covered by laws, rules and regulations, much of which are subject to permits. SCA may be subject to commercial disputes and other legal procedures.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA monitors legal developments in relevant areas to ensure regulatory compliance. The company takes the measures required to comply with regulatory changes and provides employees with relevant training. SCA is also a member of trade associations to safeguard the company's interests on legal issues. SCA's facilities continuously monitor their environmental impact and compliance with permits issued.</p>



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
Reputational risk	
<p>Events may occur that damage SCA's reputation. This could, for example, concern an employee, contractor, supplier or business partner who fails to comply with laws and regulations or policy documents, such as SCA's Code of Conduct. SCA could also be affected by accidents that damage the reputation of SCA and its ability to conduct the business in a safe and efficient manner.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA performs training sessions to ensure that knowledge about regulations is transferred to SCA's employees and works to ensure that co-owned operations and staff in these companies comply with similar requirements.</p> <p>SCA has a Supplier Standard to ensure that SCA's suppliers and contractors adhere to the requirements imposed by SCA. SCA has systems in place to handle sudden events, such as accidents, that risk damaging confidence in SCA. The company has a procedure to ensure that new partners share SCA's values before initiating a business collaboration. Whenever necessary, audits are conducted on-site to monitor that SCA's performance levels are met. SCA holds discussions with its stakeholders and regularly updates information on the company's website to satisfy various needs.</p>
Risks linked to forest operations and the forest holding	
<p>SCA is Europe's largest private forest owner, with 2.7 million hectares of forest land, of which 2.1 million hectares is productive forest land. There is a risk that the value of the forest holding decreases through infestation by pests, grazing moose, storms or fire. The value can also change through variations in demand for wood raw material in SCA's region, which in turn would impact price levels in the region. SCA's forest management may conflict with the activities of reindeer herding Sami communities pertaining to land use. This is also the case when establishing wind power production on forest land. Legislation may influence opportunities to conduct active and responsible forest management.</p> <p>Impact: ○ ● ○ Change: ↑</p>	<p>SCA works proactively and together with research institutes to continuously improve forestry methods and seedlings to enhance forest growth and to reduce impact on the forest landscape. SCA works in various ways and holds discussions with different stakeholders, to contribute fact-based supporting data of the benefits created through a responsible use of the forest and how forest operations impact the forest landscape.</p> <p>Active and responsible forest management combined with an industry that adds value to the forest raw material is essential to secure the value of the forest asset. Since 1950, the sustainable harvesting level has more than doubled at the same time as the standing volume has increased by about 60%. The risk of infestation by pests is managed through diligent site preparation and special protection against pine weevils and spruce bark beetles. The stock of grazing moose is managed through hunting on land where SCA issues hunting licenses. SCA's forest land is spread across large areas of northern Sweden, which means forest fires and storms usually only impact a limited part of the forest holding. The forest is therefore not insured. On the basis of the fire situation in previous years, SCA has drawn up procedures to minimize the risk of forest fires, particularly during longer periods of dry weather. SCA consults the relevant Sami communities in connection with forestry operations and wind power projects on SCA's land. The consultation pertains to the adaptation of forest management activities, including the scheduling of harvest operations, the use of fertilizers and the selection of soil preparation method and choice of tree species when replanting forests. For wind power projects, consultation may be carried out concerning the size of the wind farm, its impact on reindeer herding and impact on Sami communities.</p>
Biodiversity	
<p>SCA uses large quantities of forest raw material which is partly from its own forest and partly from other landowners. All forestry measures involve a risk of impacting biodiversity. A warmer climate will also affect biodiversity.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA's objective is to manage the company's forests to make them at least as rich in biodiversity, nature experiences and raw material in the future as they are today. SCA is pursuing long-term and responsible forest management where nature conservation measures are applied in all forest operations. SCA strives to preserve and strengthen biodiversity in several ways. SCA makes voluntary set-asides where the company's forests with the highest conservation values are set aside from forest management. Alternative forms of production are used and targeted actions are taken to promote biodiversity. SCA takes specific responsibility for forest species that are at risk of being negatively affected by forest management and works proactively to guarantee and increase access to the right habitats for SCA's protected species. The company cooperates with organizations to jointly identify and undertake measures that promote biodiversity and recreation.</p> <p>SCA's forestry management and timber procurement is certified under FSC and PEFC in Sweden and the Baltic region. SCA actively refrains from purchasing timber from controversial sources. As a minimum requirement, purchased timber must comply with FSC's Controlled Wood Standard.</p> <p>COP 15 was held at the end of 2022 and this could potentially entail changed requirements for the company. It is, however, too early to express the impact and scope in concrete form.</p>
Risks at production plants	
<p>SCA has 14 production facilities, all of which are located in Sweden. SCA also owns facilities for distribution, such as port facilities, timber terminals and forest roads in Sweden. Poor health and safety practices at the production facilities may cause ill health or a workplace accident with substantial consequences for individual employees. Some of the facilities conduct continuous production. Fires, machinery breakdowns and other types of harmful incidents could lead to production disruptions and cause delivery problems. When major projects are undertaken, there is a risk of disruption in the existing operations.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA has a vision of zero workplace accidents and is actively and systematically running a health and safety program to minimize the risk of personal injury and ill health. SCA applies a preventive approach to ensure a high degree of availability in production facilities and to avoid unscheduled production stops. The aim is to effectively and cost efficiently protect the employees, local residents, the environment, the company's assets and the business, and to minimize SCA's risk management costs. Loss-prevention activities are conducted in accordance with established guidelines, which include management's safety walks, maintenance of plants, staff training, good orderliness, and documentation. Continuous action is taken to reduce risks by using, for example, risk assessments and undertaking continuous improvements.</p> <p>All wholly owned plants are insured with market-leading insurance companies to replacement cost and for the loss of contribution margin. In order to minimize the impact of ongoing projects on operations, separate project organizations are created to conduct regular follow-ups that quickly identify any disruptions and shortcomings, and take corrective action.</p>



RISKS AND RISK MANAGEMENT

Description of risk	Management and comments for the year
Impact of political decisions	
<p>SCA's operations are affected by political decisions and administrative rules, primarily in Sweden where SCA has most of its operations, but also at EU level. This impact could be from general regulations, such as rules covering taxation and financial reporting, but also by more specific regulations and practices. These include political decisions pertaining to forest management, transportation and permit processes. Political decisions may restrict future harvesting levels.</p> <p>Impact: ○ ○ ● Change: ↓</p>	<p>SCA is working to monitor and evaluate changes in its surroundings, amended legislation and political decisions that lead to a change in circumstances for the company. SCA is a member of national and international trade associations. A few key areas for SCA include the ownership and right to the use of forest land, European and global legislation in the field of energy and the environment and attitudes toward biofuel. SCA monitors developments in prioritized areas, such as forest management, biodiversity, fossil-fuel use, ecolabels, issues relating to waste and emissions to water and air. It is important for SCA to monitor EU emission rights trading, regulations concerning waste and circular economy initiatives.</p>
Customer dependency	
<p>In 2022, SCA's ten largest customers accounted for about 31% of SCA's sales. The risk of too great a dependency on an individual customer is that lost sales from these customers could have a negative impact on SCA's earnings.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA works continuously in building relations with new customers to reduce the consequences of lost sales from established customers. Generally, customers in the pulp and paper segments are major companies, such as tissue manufacturers and corrugated board manufacturers. Within the Wood business area, SCA has developed new customer segments over the years. Traditionally, solid-wood products are distributed by wholesalers. SCA has built up business relationships with distributors in the building materials trade, which are focused on distribution to consumers, including the DIY segment. In addition, certain construction components are manufactured for sale directly to industry.</p>
Suppliers	
<p>SCA is dependent on a large number of suppliers. The loss of key suppliers could result in costs for SCA and problems in the value chain. Suppliers that fail to comply with SCA's Supplier Standard could also cause problems for SCA. Pandemics and other global or regional crises may have a negative impact on the supplier's capacity to meet its commitments and on the mobility of products and services.</p> <p>Impact: ○ ● ○ Change: ↑</p>	<p>To reduce this risk, SCA has supply contracts with multiple suppliers. For wood raw material purchased externally, SCA has created a purchasing organization with about 80 timber purchasers, distributed between local offices across the region. Through this organization, SCA has relationships with approximately 18,000 private forest owners. SCA may also sell silvicultural services to these forest owners. About 180 contractors are responsible for most of the harvesting, about 100 for transportation of wood raw material to SCA's industries and around 90 for forest management.</p> <p>For the most important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for facilities. As SCA has access to several suppliers, it has reduced the risk of non-delivery resulting from delivery problems at an individual supplier. Active efforts have helped to manage disruption linked to the current crisis in Ukraine without any major impact on the company's operations.</p> <p>An SCA Supplier Standard has been established that, for example, addresses working conditions, health and safety and business ethics. SCA's suppliers must agree to follow the standard and may be required to undergo an audit. The audits are planned and carried out from a risk perspective to ensure that deliveries are from suppliers that fulfill SCA's requirements.</p>
IT security and IT risks	
<p>SCA relies on IT systems in its operating activities. Disruptions or faults in critical systems have a direct impact on production and important business processes. Errors in the handling of financial systems can affect the company's reporting. Unauthorized intrusion into SCA's systems may result in financial losses and other damage. These risks grow in an increasingly technically complex and interlinked world.</p> <p>Impact: ○ ● ○ Change: —</p>	<p>SCA has established a management model for IT that includes governance, standardized IT processes and an organization for IT security. The IT security work includes a continuous risk assessment, the introduction of preventive measures, use of security technology and internal audits. Standardized processes are in place for the implementation of new systems, changes to existing systems and daily operations. The majority of SCA's system landscape is based on well-established systems. The company's approach has been adapted and changes in accordance with the General Data Protection Regulation (GDPR). Employee awareness of the risks is raised through courses in IT security.</p>
Employee-related risks	
<p>SCA needs access to skilled and dedicated employees. The company must have an ability to attract and retain talent and safeguard the availability of competent managers to achieve established strategic and operational objectives.</p> <p>Impact: ○ ● ○ Change: ↑</p>	<p>SCA's objective is that workplaces are to be accident-free and healthy and has a proactive approach toward the health and well-being of employees. The company carries out management training courses to develop and support managers in their leadership role.</p> <p>SCA follows an established process for succession planning to ensure the supply of leaders and specialists. SCA works with strategic skills supply to secure access to the right expertise in the short and long term. Employees are developed through training, coaching and learning as a part of everyday work as well as annual performance reviews. The company uses targeted initiatives to attract critical expertise and to strengthen the employer brand. Salaries and other conditions are to be adapted to the market and linked to SCA's business priorities. SCA strives to maintain good relationships with union organizations.</p>



RISKS AND RISK MANAGEMENT

Financial risks

Description of risk	Management and comments for the year												
Currency risk													
<p>SCA's focus on exports makes SCA's operations highly dependent on currency. About 90% of sales are conducted in currencies other than SEK. Most purchasing is conducted in SEK. Only a minor share of purchasing is carried out in other currencies. Fluctuations in currency rates have a substantial impact on SCA's revenue and thereby on earnings.</p> <p>Impact: ○ ○ ● Change: —</p>	<p>The table shows the net flows for the three largest currencies in 2022, and the total of other foreign currencies, measured as sales in each foreign currency less purchases in the same currency. In accordance with SCA's Financial Policy, this exposure is hedged as follows:</p> <p>All balance sheet items in foreign currency are hedged, as is exposure in major approved and contracted investments in non-current assets.</p> <p>According to the policy, transaction exposure regarding expected future net flows may also be hedged for up to 18 months. The company has hedged about 80% of the expected EUR, USD net exposure from sales minus purchases until the end of the second quarter of 2023, as well as approximately 50% for the third quarter and 25% for the fourth quarter 2023. The company has hedged about 70% of the expected GBP net exposure from sales minus purchases until the end of the second quarter of 2023, as well as approximately 30% for the third quarter of 2023. These had the following average exchange rates, EUR/SEK 10.77, USD/SEK 10.32, and GBP/SEK 12.35.</p> <p>Translation exposure, meaning the risk to which SCA is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK, is less important as the total assets in these companies only amount to approximately 3% of SCA's total assets. Translation exposure in the foreign subsidiaries is not currency-hedged.</p> <table border="1"> <thead> <tr> <th>Net flows</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>EUR 654m</td> </tr> <tr> <td>USD</td> <td>USD 514m</td> </tr> <tr> <td>GBP</td> <td>GBP 124m</td> </tr> <tr> <td>Others (translated to SEK)</td> <td>SEK 497m</td> </tr> <tr> <td>Total</td> <td>SEK 14,154m</td> </tr> </tbody> </table>	Net flows	2022	EUR	EUR 654m	USD	USD 514m	GBP	GBP 124m	Others (translated to SEK)	SEK 497m	Total	SEK 14,154m
Net flows	2022												
EUR	EUR 654m												
USD	USD 514m												
GBP	GBP 124m												
Others (translated to SEK)	SEK 497m												
Total	SEK 14,154m												
Credit risk													
<p>Credit risk refers to the risk of losses due to a failure to meet payment obligations by SCA's counterparties in financial agreements or by customers.</p> <p>Impact: ○ ● ○ Change: ↑</p>	<p>Credit exposure in accounts receivable amounted to SEK 3,007m as per December 31, 2022. Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. Credit limits are set and regularly monitored. Accounts receivable are recognized at the amount that is expected to be received based on an individual assessment of each customer. The financial credit exposure, in which the counterparty is a financial actor or a pension fund manager, amounted to SEK 3,598m as per December 31, 2022. This exposure includes credit risk of SEK 836m for cash and cash equivalents and credit exposure in derivative instruments amounting to SEK 730m. The objective is that financial counterparties must have a credit rating of at least A- from at least two credit rating institutes.</p>												
Liquidity and refinancing risk													
<p>Liquidity and refinancing risk is the risk that SCA is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.</p> <p>Impact: ● ○ ○ Change: —</p>	<p>As of December 31, 2022, SCA's gross debt amounted to SEK 12,785m and the average duration, including unutilized credit facilities, to 3.9 years (taking into account lease liability in accordance with IFRS 16).</p> <p>Unutilized credit facilities amounted to SEK 7,796m at the end of the year, and cash and cash equivalents to SEK 836m. To ensure good access to loan financing at attractive terms, SCA has a clear objective to maintain an investment grade rating. During the year, the credit rating agency Standard and Poor's (S&P) repeated SCA's credit rating as "BBB" with a stable outlook.</p> <p>SCA is to maintain financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's annual sales. SCA limits its refinancing risk by having a good distribution in the maturity profile of its gross debt. The gross debt must have an average maturity in excess of three years, taking into account unutilized credit facilities.</p> <p>Surplus liquidity should primarily be used to amortize external liabilities. As of December 31, 2022, SCA's financing mainly comprised one credit facility from a group of four banks with high credit ratings, bilateral loans and credit facilities from several banks and issued commercial papers and bonds.</p>												
Interest rate risk													
<p>Interest rate risk relates to the risk that movements in the interest rates could have a negative impact on SCA.</p> <p>Impact: ○ ● ○ Change: ↑</p>	<p>SCA's policy is that the average interest rate duration period shall be within the interval 3–36 months. SCA's average interest rate duration for the gross debt, including derivatives and excluding lease liability in accordance with IFRS 16, was about 18 months as of December 31, 2022. The risk is managed using fixed-interest loans or through interest rate derivatives. A sensitivity analysis is presented in Note E7.</p>												



RISKS AND RISK MANAGEMENT



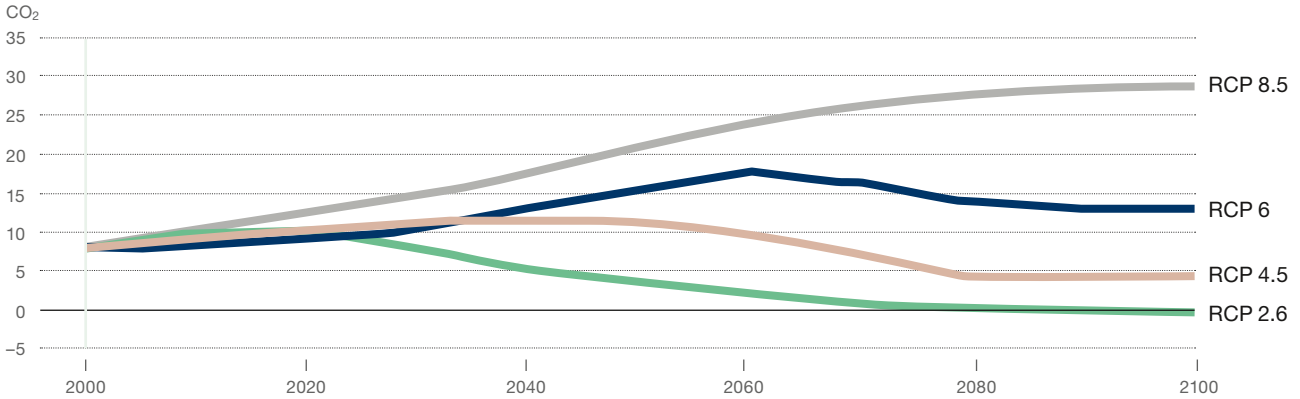
The forests and products from the forest are important in mitigating climate change. A warmer climate will entail many risks but also lead to increased growth in the forest.

Climate-related risks and opportunities

Climate change entails both risks and opportunities that SCA must understand and respond to. A scenario analysis with a perspective of 100 years was carried out that analyzed two scenarios: one where the world achieves the Paris Agreement and one with a higher temperature increase where society reacted more slowly. The analysis was conducted with both a global

perspective and with a focus on northern Sweden. Risks for the company have been assessed in the short and long term on the basis of the analysis. SCA's business model and base in its own forests represent major opportunities to be an important player in the transition to a sustainable development of society.

Emissions billion tonnes of carbon dioxide



Source: van Vuuren, D.P., Edmonds, J., Kainuma, M. et al. The representative concentration pathways: an overview. *Climatic Change* 109, 5 (2011). <https://doi.org/10.1007/s10584-011-0148-z>

Scenario 1 – Low temperature¹⁾

In line with the Paris Agreement, global warming ~1.5°C

Global warming is slowed and greenhouse gas emissions are negative by 2100. The global increase in the average temperature is limited to 1.5°C.

Society has undergone a high degree of transition while the physical impact arising from climate change was restricted. Technology development contributes to the transformation of society. Charges for emissions have accelerated the phasing out of fossil energy. Extreme weather conditions occur more frequently than today.

The global population decreases to about 7 billion, due primarily to an increase in education and lower birth rates. Changed consumption patterns have increased resource efficiency and reduced material needs.

Scenario 2 – High temperature²⁾

Slower transition, global warming ~3–5°C

Society has not taken adequate measures to reduce climate change and still has a great dependency on fossil energy. The global average temperature has continued to increase by about 3.5°C.

Fossil emissions have continued to increase until 2060 but decreased thereafter. The concentration of CO₂ in the atmosphere has increased by approximately 70%. Climate change makes more locations on earth difficult or impossible to inhabit. Increased inequality between and within countries, leads to more conflicts in the world. Extreme weather conditions occur frequently and result in various types of problems. Costly proactive measures are required to reduce the consequences.

The global population increases to about 9 billion, which leads to a greater need for resources and more land is used for food production.

Scenario analysis – Impact on SCA

Based on an estimate of changed conditions in northern Sweden and with a perspective of 100 years

The effects of a changed climate in northern Sweden, where SCA conducts most of its operating activities, are deemed similar for both scenario 1 and 2, but with more pronounced changes for scenario 2 (high temperature). For scenario 2, the effects are expected to be more severe and to occur earlier than for scenario 1. According to models from, for example, SMHI, a global increase in average temperature will lead to an even greater temperature increase closer to the poles. This will entail an anticipated temperature increase of 1–3°C (scenario 1) and 4–7°C (scenario 2), respectively, in northern Sweden. Access to

water will be affected depending on geography and season. Spring will be wetter in the inland, summer drier at the coast, autumn and winter wetter throughout northern Sweden.

The long-term impact of climate-related transition risks are difficult to foresee, which leads to great uncertainty. Both legislation in Sweden and the EU will have an impact, as will technology development, access to and price of raw materials, changed consumption patterns and investor valuations and risk appetite.

¹⁾ Source: RCP 2.6 and SSP1–2.6.

²⁾ Source: RCP6, SSP4–6.0 and when data is missing, then data from RCP 8.5 and RCP 4.5 was used to supplement the scenario.



RISKS AND RISK MANAGEMENT

Climate-related risks and opportunities based on the performed scenario analysis

With starting point in changed conditions in northern Sweden and a perspective of 100 years

Climate-related physical risks

Acute

- Different types of extreme weather conditions occur more frequently and may affect the value chain, including transportation to customers and raw materials to industry.
- Increased periodical rainfall, torrential rain, occur more frequently.
- Storms occur more often, but the average wind speed is not expected to increase.
- Increased occurrence of insect and fungal damages in the forest holding.

Chronic

- Higher average annual precipitation while periods of drought increase, mainly in terms of the number of days per year.
- More days with low soil moisture. During these periods, access to water is reduced for the trees and fire risk is increased.
- Higher average temperature, fewer frost days and shorter winter season. Also contributes to extended growing seasons that lead to increased growth in the forest.
- Warmer and wetter winters with less ground frost increase the risk of windfalls and have a negative impact on logging conditions in the forest.
- Changes in access to habitats may impact flora and fauna.

Climate-related transition risks

Political decisions and legislation

- Limitations on ownership rights and/or right to the use of forests.
- Differing opinions about how the forest can best be used may impact access to and the price of raw materials.
- Changes in fees and taxes, mainly on CO₂ and transportation.
- Terms, access and pricing for renewable energy and renewable fuel.
- Slow and difficult to predict permit processes.
- Lack of systemic perspective and risk of suboptimal outcomes.

Technological development

- Development of new competing materials.
- Development of fossil-free production processes that lead to lower substitution needs.

Market

- Increased demand for sustainability at all stages of the life cycle.
- Changed consumer habits.

Reputation

- Perception of the definition of responsible forest management.

Risks for SCA in the short, medium and long term	Management of risks
Risks in the short term 1–2 years <ul style="list-style-type: none"> • Slow and difficult to predict permit processes. • Increased taxes and fees on fossil emissions. • Increased administration to report emissions. • Increased magnitude of infestation by pests and fungi. • Requirements to set aside land to promote biodiversity 	<ul style="list-style-type: none"> • Discussions and collaboration forums with stakeholders. Advocacy activities through trade organizations, and other collaborations as well as through own initiatives. • High level of expertise in relevant areas within the company, and through research collaboration, with customers and other parties. • Continued development of forest management through own experience and by following and participating in research work.
Risks in the medium term 2–5 years <ul style="list-style-type: none"> • More days with low soil moisture that reduce access to water for the trees and increase the risk of forest fires. • More frequent torrential rain and a shorter winter season that may create more challenging logging conditions in forest operations. • Potential limitations to the right to the use of forest land and requirements to set aside land to protect nature. • Legislation and classification of bioenergy. • Requirements to minimize emissions throughout the value chain, even outside the company's own operations. • Costs to combat and minimize the effects of extreme weather conditions, such as flooding, droughts and storms. • Access to and pricing for renewable and dispatchable energy. 	<ul style="list-style-type: none"> • Good fire-fighting capabilities and developed procedures to monitor the risk of forest fire. Adapted forestry procedures. • Procedures for site preparation and the development of seedling material when planting new forests.
Risks in the long term 5–100 years <ul style="list-style-type: none"> • Taxes and fees on emissions. • Costs to combat, minimize and manage the effects of extreme weather conditions, where the magnitude depends on the development of climate change. • Technology development that affects material efficiency, material use and production costs. • Changed requirements on material properties and recycling. • Access to and costs for raw materials and energy. • Changed consumer demands and consumption patterns. 	<ul style="list-style-type: none"> • Technology and product development through own initiatives and together with partners.



RISKS AND RISK MANAGEMENT

Opportunities for SCA

The transition of society to combat climate change also entails many opportunities for SCA, with its base in renewable raw materials from responsibly managed forests. The company has effective control of the value chain, a high degree of self-sufficiency in critical raw materials and a potential in renewable energy.

- Greater demand for renewable materials and renewable energy increases demand for the company's products.
- The development of new products based on forest raw materials or waste streams can offer new revenue streams.
- A warmer climate and extended growing seasons will increase growth in the forests. Increased growth will increase the uptake of CO₂ in the company's forests and access to raw materials, which both help to mitigate climate change.

Potential financial impact

- The market price for the company's products follows changes in demand in the market.
- Revenue from new products and services.
- Higher/lower growth in the forest and higher/lower volumes of harvested forest on own land.
- Costs to adapt the company to any changes to laws and fees.
- Costs to manage the effects of extreme weather conditions, including proactive measures.
- Currently, the risk of stranded assets is considered low.

The financial impact is described in existing sensitivity analyses in the financial statement. For a sensitivity analysis of forest assets, refer to Note D3.

Task Force on Climate-related Financial Disclosures (TCFD)

Climate-related risks and opportunities are an integrated part of the company's work. SCA presents information about how these may impact the company in accordance with TCFD recommendations. References are provided below to the relevant pages for more detailed information.

Governance

Climate-related risks and opportunities are included in the company's work with risk management and business development. The Board of Directors approves all policies. Sustainability issues and risks are discussed at least at one Board meeting every year. The Executive Management approves Group targets and reviews and updates the risk scenario every year. Risk management may be followed-up by internal audit and internal control tools.

Read more on pages: 74–79 and 144.

Strategy

Climate-related risks and opportunities have been identified and integrated into SCA's strategy for profitable growth. SCA has, through its large forest assets and renewable products, a strong potential to play a significant role in the transition to a decarbonized society both with existing and new products and services. In parallel, the company is striving to reduce the impact of climate change on its own operations, mainly within the area of forest management, and reduce its impact through decreased emissions in the value chain.

Read more on pages: 6–7, 10–11, 19–23 and 49.

Risk management

Climate-related risks and opportunities are part of the company's risk management process. Risks and opportunities are also managed on a continuous basis in the line organization and in cross-functional, Group-wide networks. When a risk scenario changes during the year, a review is conducted of risk management in the relevant areas to modify the company's actions if required.

Read more on pages: 65–73.

Metrics and targets

SCA's Group targets include a number of supporting targets related to climate impact.

An assessment of the fossil emissions from the whole value chain is conducted every year. The company calculates its contribution to the climate benefit on an annual basis using the model presented on sca.com and includes the contribution from the company's products.

Read more on pages: 142–143, 157–159, 163–166 and 168–169.



Corporate governance

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

Corporate governance, including remuneration, pages 74–83

This section describes the rules and regulations and the Group's corporate governance, including a description of the operational organization. It also details the Board of Directors' responsibilities and its work during the year as well as SCA's internal control. Moreover, it provides an overview of remuneration and remuneration issues, see also SCA's remuneration report on pages 180–181 and at www.sca.com. SCA applies the Swedish Code of Corporate Governance without any deviations (www.corporate-governanceboard.se). Corporate governance shall be reliable, clear, straightforward and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for SCA's 2022 Annual Report in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act (1995:1554). The report has been reviewed by the company's auditor.

Risks and risk management, pages 65–73

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

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

Sustainability, pages 48–57, 139–173 and 185

SCA's sustainability work is an integral part of the company's business model and operations. Work to improve the company's sustainability performance strengthens competitiveness, reduces risks and costs and attracts talent and investors. The Board and the President bear the overall responsibility for the control of SCA's business in the field of sustainability. SCA's sustainability agenda is headed by the Group's Sustainability Council, which includes members of the Executive Management and the Group's Sustainability Director. The Sustainability Council is led by the Group's Senior Vice President Sustainability and Communications. In addition, a number of cross-functional networks manage and coordinate issues such as health, safety and environment.

Governance at SCA

Shareholder meeting/Annual General Meeting

The shareholders' meeting is SCA's highest decision-making body, where all shareholders are entitled to attend to have a matter considered and to vote in respect of all shares held by the shareholder. According to its Articles of Association, SCA has two listed classes of shares: Class A and Class B shares. Every Class A share represents ten votes and every Class B share represents one vote. The Annual General Meeting (AGM) is the annual shareholders' meeting at which the annual report is presented. The AGM appoints the company's Board of Directors and auditor, which are proposed by a Nomination Committee specifically elected by the AGM. The AGM also resolves on dividends, adoption of the annual accounts, fees to be paid to the company's Board and auditor, where applicable on guidelines for remuneration of senior executives, and other important matters.

Nomination Committee

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

Board of Directors

The Board of Directors has the overall responsibility for the company's organization and administration through regular monitoring of the business and by ensuring the appropriateness of the organization and management team, and also compliance with guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

The 2022 AGM resolved that the Board of Directors shall comprise ten members elected by the AGM with no deputies. In addition, the Board shall include three employee representatives and three deputies.

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

Chairman of the Board

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

Audit Committee

The company's Board has, within itself, established an Audit Committee. The tasks of the Audit Committee include monitoring financial reporting and the efficiency of the company's internal control, internal audit and risk management, and submitting recommendations and proposals to ensure the reliability of reporting. The Committee keeps itself informed on the audit, reviews and monitors the impartiality and independence of the auditor and submits recommendations to the Nomination Committee as a basis for the appointment of auditor and the determination of remuneration, and information to the Board concerning the results of the audit in order to fulfill all requirements of the EU



CORPORATE GOVERNANCE

Audit Regulation and Directive. The Audit Committee sets guidelines for the procurement of services other than auditing services from the company's auditors. Lastly, the Audit Committee evaluates the audit quality and informs the Nomination Committee of the results of the evaluation.

Remuneration Committee

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

Internal audit

At SCA, it is the employees' responsibility to ensure sound governance and internal control in the operations or processes for which they are responsible. Internal audit is a separate function with the task of evaluating and improving the efficiency of SCA's internal control, governance, and risk management. The function reports to the Audit Committee and the Board in relation to internal audit matters. The function examines, among other, SCA's internal processes for sales, purchases, financial reporting, assets, compensation and benefits, HR matters, information security and IT systems, various projects and compliance with SCA's policies and other governing documents including the Code of Conduct.

President and CEO and Executive Management

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

the Board, the President and CEO prepares documentation and background information for the Board's work.

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

External auditors

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

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

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

- SCA's Articles of Association
- Link to the Swedish Corporate Governance Code
- Information from previous Annual General Meetings since 2015 (notices, minutes, President and CEO's speeches) and press releases since 2012
- Information from the Nomination Committee since 2006 (composition, proposals and work done)
- Information ahead of the 2023 Annual General Meeting (notice, Nomination Committee proposals including the Audit Committee's recommendation, Board proposal for guidelines for remuneration of senior executives, information on routines for notifying attendance to the Meeting, etc.)
- Earlier Corporate Governance Reports, since 2007

Internal rules and regulations include:

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

External rules and regulations include:

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- International Financial Reporting Standards (IFRS)
- Nordic Main Market Rulebook for Issuers of Shares
- Swedish Corporate Governance Code
- Relevant EU regulations

Compliance with stock market regulations

In 2022, SCA was not sanctioned by the Swedish Financial Supervisory Authority, the stock exchange's disciplinary board or any other authority or self-regulating body for violations of the rules concerning the stock market.



Activities during the year

Annual General Meeting

The AGM was held on Thursday, March 31, 2022 through postal voting. A total of 904 shareholders were represented at the Meeting and these accounted for approximately 68.3% of the votes in the company. Eva Hägg, Attorney-at-Law, was elected Chairman of the Meeting.

The Meeting resolved that a dividend of SEK 3.25 per share be paid for the 2021 fiscal year, of which SEK 2.25 comprised a regular dividend and SEK 1.00 an extra dividend. The AGM also decided on the re-election of Board members Pär Boman, Lennart Evrell, Annemarie Gardshol, Carina Håkansson, Ulf Larsson, Martin Lindqvist, Anders Sundström and Barbara Milian Thoralfsson and the election of new Board members Åsa Bergman and Karl Åberg. Pär Boman was re-elected as the Chairman of the Board. Ernst & Young was re-elected as auditor for the period until the 2023 AGM. The Meeting resolved on the approval of the remuneration report for 2021.

The minutes of the Meeting in full and information on the 2022 AGM are available at www.sca.com.

Nomination Committee

The 2017 AGM decided that the following procedure for appointing the Nomination Committee is to apply until further notice. The Nomination Committee is to comprise representatives from the four largest shareholders in terms of voting rights as per the shareholders' register maintained by the company on the final banking day of August, as well as the Chairman of the Board. The Chairman of the Board is to convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of votes is to be appointed as Chairman of the Nomination Committee. If necessary, due to subsequent ownership changes, the Nomination Committee is entitled to call on one or two additional members from among the next largest shareholders in terms of voting rights, so that the total number of members amounts to not more than seven. In the event that a member steps down from the Nomination Committee before the task is completed and the Nomination Committee decides it would be beneficial for a replacement to be appointed, such a replacement is to be appointed by the same shareholder or, if this shareholder is no longer among the largest shareholders in terms of voting rights, by the largest unrepresented shareholder in terms of voting rights. Changes to the composition of the Nomination Committee are to be disclosed immediately. The composition of the Nomination Committee is to be disclosed not later than six months prior to the AGM. No remuneration is to be paid to the members of the Nomination Committee. Any expenses incurred during the work of the Nomination Committee are to be paid by the company. The mandate period of the Nomination Committee extends until the composition of the next Nomination Committee is disclosed. The Nomination Committee is to submit proposals relating to the Chairman of the General Meeting, the Board of Directors, the Chairman of the Board, Board fees for the Chairman of the Board and each of the other Board members, including remuneration for committee work, the company's auditors and auditors' fees.

In its work, the Nomination Committee has considered the rules that apply to the independence of Board members, as well as the requirement of diversity and breadth with the endeavor to achieve an even gender distribution and that the selection for

those nominated shall be based on expertise and experience relevant to SCA.

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

Composition of the Nomination Committee for the 2023 AGM

The composition of the Nomination Committee for the 2023 AGM is as follows:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee
- Nikolai Schjold¹⁾, Norges Bank Investment Management
- Anders Oscarsson, AMF Insurance and Funds
- Mikael Hallåker, Handelsbanken Pension Foundation, among others
- Pär Boman, Chairman of the Board, SCA

¹⁾ Replaced Petter Johnsen on October 19, 2022.

Shareholders have had the opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2023 AGM is presented in the notice convening the AGM on SCA's website www.sca.com. The 2023 AGM will be held on March 30.

Since its appointment, the Nomination Committee was convened three times in 2022. The Chairman of the Board has presented the Board evaluation and provided the Nomination Committee with information regarding Board and committee work during the year.

Diversity policy

When preparing proposals for the Board for the 2022 AGM, the Nomination Committee has applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. The policy aims to ensure that the Board has – with regards to the company's operations, stage of development and circumstances in general – an appropriate composition characterized by diversity and breadth as regards the AGM-elected members' expertise, experience and background, with the endeavor to achieve an even gender ratio. The 2022 AGM resolved in accordance with the Nomination Committee's proposal, which meant ten members were elected, of which four were women and six men. When preparing proposals for the Board for the 2023 AGM, the Nomination Committee has worked with and applied the diversity policy in a corresponding manner, which resulted in the proposal for the Board described in the notice convening the AGM.

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

Board of Directors

Ten Board members were appointed at the 2022 AGM. In addition to these members, there are three employee representatives and their three deputies.

The SCA Board of Directors comprises the AGM-elected members Pär Boman (Chairman), Åsa Bergman, Lennart Evrell, Annemarie Gardshol, Carina Håkansson, Ulf Larsson (President



and CEO), Martin Lindqvist, Anders Sundström, Barbara Milian Thoralfsson and Karl Åberg.

The independence of Board members is presented in the table on page 78. SCA complies with the requirements of the Swedish Code of Corporate Governance that stipulate that not more than one member elected by the AGM shall be a member of company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the AGM-elected Board members have experience of the requirements incumbent upon a listed company.

The following three employee representatives were appointed to the Board for the period until the 2023 AGM: Niclas Andersson, Roger Boström and Maria Jonsson and their deputies Stefan Lundkvist, Malin Marklund and Peter Olsson. Further information concerning the Board members can be found on pages 80–81.

Board activities

In 2022, the Board was convened 13 times. The Board has established working procedures. The working procedures describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. The Board also establishes and evaluates the company's overall objectives and strategy and decides on significant internal rules. Another task is to continuously monitor the internal control and compliance of the company and its employees with internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout the year, the Board also deals with reports from the Audit and Remuneration Committees and reports on internal control and financial operations. The company's auditor regularly presents a report on the audit work and these issues are discussed by the Board.

In 2022, the Board conducted standard duties, including strategy issues.

Evaluation of the Board's work

The work of the Board, as that of the Chairman and the President, is evaluated annually using a systematic and structured process. The purpose is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with relevant analysis for its nomination work. In 2022, the evaluation took the form of a questionnaire as well as group and individual discussions between the Chairman of the Board and the members. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the results of the evaluation.

Audit Committee

The Audit Committee comprises Barbara Milian Thoralfsson (Chairman), Pär Boman and Martin Lindqvist. The Audit Committee held six meetings in 2022. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal audit reviews, audit work, review of internal control procedures and the measurement of the Group's forest assets. The

Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors and remuneration.

Remuneration Committee

The Remuneration Committee comprises Pär Boman, Chairman, Lennart Evrell and Anders Sundström. The Remuneration Committee held eight meetings in 2022. Activities in 2022 mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

Internal audit

The basis for the internal audit work is a risk-based annual plan. The plan derives from a risk assessment process based on, among other, input from operations, management and the Board. The annual plan is approved by the Audit Committee. In 2022, 15 internal audit assignments were performed. Observations from the assignments are reported to the Audit Committee.

During 2022, work included follow-up of the organization's work concerning the effectiveness of internal controls and compliance with policies and other governing documents, including the Code of Conduct.

External auditors

The 2022 Annual General Meeting appointed accounting firm Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Fredrik Norrman, Authorized Public Accountant, would be the auditor in charge. The auditor owns no shares in SCA.

In accordance with its working procedures, the Board met with the auditor at five scheduled Board meetings in 2022. The auditor also attended each meeting of the Audit Committee. At these meetings, the auditor presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Further, at the Board's third scheduled autumn meeting, the auditor delivered a preliminary report on the audit for the year. The working procedures specify a number of mandatory issues that must be covered. These include matters of importance that have been a cause for remark or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditor shall also provide an account of consultancy work assigned to the audit firm by SCA and the audit firm's independence in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditor questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.



CORPORATE GOVERNANCE

Board of Directors and committees

Names	Elected	Depen- dence	The Board of Directors	Atten- dance	Audit Committee	Atten- dance	Remuneration Committee	Atten- dance
Pär Boman	2010	●	Chairman	13	Board member	6	Chairman	8
Charlotte Bengtsson ¹⁾	2017	●	Board member	5				
Åsa Bergman ²⁾	2022		Board member	6				
Lennart Evrell	2017		Board member	13			Board member	8
Annemarie Gardshol	2015		Board member	11				
Carina Håkansson	2021		Board member	13				
Ulf Larsson	2017	●	Board member	13				
Martin Lindqvist	2017		Board member	13	Board member	6		
Bert Nordberg ¹⁾	2012		Board member	5			Board member	5
Anders Sundström ³⁾	2018		Board member	13			Board member	3
Barbara Milian Thoralfsson	2006		Board member	13	Chairman	6		
Karl Åberg ²⁾	2022	●	Board member	8				

¹⁾ Charlotte Bengtsson and Bert Nordberg stepped down from the Board on March 31, 2022.

²⁾ Åsa Bergman and Karl Åberg joined the Board on March 31, 2022.

³⁾ Anders Sundström joined the Remuneration Committee on March 31, 2022.

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

The largest shareholders

As of December 31, 2022, AB Industrivärden was the company's largest shareholder, with a holding totaling 33,785,290 Class A shares and 38,300,000 Class B shares, corresponding to 10.3% of the total number of shares and 29.3% of the total number of votes in the company. No other shareholder in the company has a direct or indirect shareholding whose voting rights represent one-tenth or more of the total number of votes in the company.

Number of meetings in 2022

The Board of Directors	13
Audit Committee	6
Remuneration Committee	8

Remuneration, Executive Management Team and Board of Directors

Guidelines

The 2022 Annual General Meeting adopted guidelines for remuneration of senior executives. The total remuneration package comprises a fixed salary, variable salary, other benefits, and a pension. See Note C3.

Remuneration of the President and CEO and other senior executives

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

Variable remuneration and strategic targets

Programs for variable remuneration are designed to support the Group's strategic targets. The short-term program is individually adapted and based mainly on profit, cash flow and capital efficiency. The long-term program is based on the SCA share's long-term total shareholder return compared with a peer group of other companies and in relation to the OMXS30 index as well as sustainability conditions related to increased climate benefit, million tonnes of CO₂e, during the performance period.

Remuneration of the Board

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

Remuneration report

The Board has presented a separate remuneration report, which is available on pages 180–181 and at www.sca.com.

Internal control and financial reporting

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

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

Financial reporting to the Board

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

External financial reporting

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

Risk management

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

Control activities and follow-up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Finance Function and are accessible on the Group's intranet. The Group Finance Function is responsible for ensuring compliance with instructions and guidelines. Process owners at various

levels within SCA are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business areas and support units' finance and controller organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. The company's control activities are supported by the budgets prepared by each unit and updated during the year through regular forecasts.

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

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

The Board follows up on the effectiveness of the internal control system, functioning of the reporting to the Board through continuous reporting from the President and CEO, the CFO, and also on the internal audit work in accordance with the annual audit plan. Internal audit reports its observations regularly to the Audit Committee. Internal audit's tasks include following up compliance with the company's policies. The results of the follow-up work are also reported to the Board through the Audit Committee.

Internal control of other processes

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

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

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

Activities in 2022

In 2022 SCA's units conducted internal control in accordance with the company's framework. The annual review of the relevance of the controls was carried out and resulted in changes to some of the controls. The results of the self-assessment have been reported to the Board.



Board of Directors and Auditors



Pär Boman (1961)
*Engineering and Business/
Economics degree*

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

Elected: 2010
Class B shares: 10,000

Independent of the company and corporate management.



Åsa Bergman (1967)
MSc Eng.

President and CEO of Sweco AB. Board member of Swegon AB. Previously Board member of AB Persson Invest and senior positions in the Sweco Group.

Elected: 2022
Class B shares: 573

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



Lennart Evrell (1954)
MSc Eng. and Econ.

Chairman of the Board of SSAB. Member of the Board of Epiroc. Previously Board member of ICA, the Confederation of Swedish Enterprise and Industriarbetsgivarna, as well as former President and CEO of Boliden, Sapa and Munters.

Elected: 2017
Class B shares: 4,000

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



Annemarie Gardshol (1967)
MSc Eng.

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

Elected: 2015
Class B shares: 6,200

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



Carina Håkansson (1961)
BSc Forestry

Board member and member of Audit Committee of AFRY AB, Board member of Vasaloppet and Chairman of the Royal Swedish Academy of Engineering Sciences (IVA) Division VIII. Former President of the trade association Swedish Forest Industries between 2013–2020, President of DalaKraft between 2009–2013 and President of Stora Enso Skog between 2004–2009.

Elected: 2021
Class B shares: 9,100

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



Ulf Larsson (1962)
BSc Forestry

President and CEO of SCA. Chairman of the Swedish Forest Industries and Board member of CEPI. Former President of SCA Forest Products AB, 2008–2017, as well as Executive Vice President of SCA 2016–2017.

Elected: 2017
Employed since: 1992
Class A shares: 26,000
Class B shares: 100,000

Independent of SCA's major shareholders.



Martin Lindqvist (1962)
Engineer and Master of Business Administration

President and CEO of SSAB. Chairman of the Board of Jernkontoret, and of Stål och Metall. Member of Industriarbetsgivarna. Previously held senior positions, including at SSAB and NCC.

Elected: 2017
Independent of the company, corporate management and SCA's major shareholders.



Anders Sundström (1952)
Academic studies in economy and politics

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

Elected: 2018
Class B shares: 6,000

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



CORPORATE GOVERNANCE

Employee representatives



Barbara Milian Thoralfsson (1959)
MBA, BA

Chairman of the Board of Exclusive Networks SA. Board member of Essity AB and Hilti AG. Member of Advisory Board at SpareBank 1 Markets. Former President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Former member of the Boards of AB Electrolux, Telenor ASA Cable & Wireless Plc, Orkla ASA, Tandberg ASA and G4S Plc as well as industry advisor to EQT.

Elected: 2006

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



Niclas Andersson (1974)
Chairman GS trade union branch, SCA Wood Scandinavia AB, Tunadal
Member of the Swedish Trade Union Confederation (LO).

Appointed: 2021
Class B shares: 20



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

Appointed: 2013
Class B shares: 55



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

Appointed: 2022, formerly deputy since 2017



Karl Åberg (1979)
Master of Business Administration

Head of the investment and analysis organization at AB Industrivärden. Member of the Board of Alleima. Former partner and corporate director at Zeres Capital, partner at CapMan Public Markets and formerly active in Handelsbanken Capital Markets.

Elected: 2022

Independent of the company and corporate management.

Employee representatives, deputies

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

Malin Marklund (1986)
Chairman GS trade union Munksund sawmill
Member of the Swedish Trade Union Confederation (LO).
Appointed 2022.

Peter Olsson (1975)
Chairman Ledarna (Swedish Organization for Managers), SCA Obbola AB.
Member of the Council for Negotiation and Cooperation (PTK).
Appointed 2021.
Class B shares: 1,130

Honorary Chairman

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

Auditors

Ernst & Young AB
Senior Auditor: Fredrik Norrman, Authorized Public Accountant

Secretary to the Board as of October 1, 2022

Sofia Haga
Master of Laws
Senior Vice President, Legal Affairs Group Function, General Counsel.

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2022.



Executive Management Team



9. 7. 12. 6. 10. 5.

Ulf Larsson (1)
 President and CEO
BSc Forestry
 Employed since: 1992
 Class A shares: 26,000
 Class B shares: 100,000

Stina Danielsson (2)
 Senior Vice President,
 Human Resources
BA
 Employed since: 2005
 Class B shares: 7,806

Anders Edholm (3)
 Senior Vice President Sustainability and
 Communications
*Degree of Bachelor of Science in Military
 Studies*
 Employed since: 2021
 Class B shares: 4,300

Kristina Enander (4)
 President, Pulp
*MSc Eng. chemical engineering in
 physics*
 Employed since: 1993
 Class B shares: 13,916

Andreas Ewertz (5)
 CFO
MSc Eng. and Management.
 Employed since: 2017
 Class B shares: 4,226

Sofia Haga (6)
 Senior Vice President Legal Affairs and
 General Counsel
Master of Laws
 Employed since: 2022



CORPORATE GOVERNANCE



1. 11. 4. 8. 2. 3.

Mikael Källgren (7)
President, Renewable Energy
BSc Energy
Employed since: 2015
Class B shares: 5,482

Jerry Larsson (8)
President, Wood
MSc Eng., MBA
Employed since: 2003
Class B shares: 10,025

Jonas Mårtensson (9)
President, Forest
MSc Eng.
Employed since: 2005
Class B shares: 32,100

Mats Nordlander (10)
President, Containerboard
Dipl. Eng.
Employed since: 2015
Class B shares: 17,379

Magnus Svensson (11)
President, Sourcing & Logistics
MSc Eng.
Employed since: 1993
Class A shares: 26,000
Class B shares: 47,380

Ole Terland (12)
Senior Vice President, Strategic Development
Doctor of Technology
Employed since: 2016
Class A shares: 2,250
Class B shares: 38,909



Financial statements and notes

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

IS Consolidated income statement

OCI Consolidated statement of comprehensive income

EQ Consolidated statement of change in equity

BS Consolidated balance sheet

CF Consolidated cash flow statement



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

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



GROUP

Consolidated income statement IS

SEKm	Note	2022	2021
Net sales	B1	20,794	18,822
Other operating income	B1, B2	3,163	2,649
Change in inventories		-83	-531
Change in value in biological assets	D3	1,825	1,753
Raw materials and consumables	B3	-4,577	-4,453
Personnel costs	C1	-2,627	-2,603
Other operating expenses	B4	-8,278	-6,599
Result from participations in associated companies and joint ventures	F2	-23	71
EBITDA		10,194	9,109
Depreciation and impairment		-1,552	-1,475
Operating profit		8,642	7,634
Financial income	E7	65	43
Financial expenses	E7	-104	-150
Profit before tax		8,603	7,527
Income tax	B5	-1,782	-1,426
Profit for the year		6,821	6,101
Profit for the year attributable to:			
Owners of the Parent		6,748	5,941
Non-controlling interests		73	160
Average number of shares, millions		702.3	702.3
Earnings per share			
Earnings per share (SEK) – owners of the Parent ¹⁾		9.61	8.46
Dividend per share, SEK ²⁾		2.50	3.25

¹⁾ There are no dilution effects.

²⁾ Board's proposal for 2022.



GROUP

Consolidated statement of comprehensive income **OCI**

SEKm	Note	2022	2021
IS Profit for the period		6,821	6,101
Other comprehensive income for the period:			
<i>Items that cannot be transferred to profit for the period</i>			
Change in value land assets	D3	10,398	7,479
Revaluation of defined benefit pension plans		394	448
Income tax attributable to components in other comprehensive income		-2,235	-1,631
Total		8,557	6,296
<i>Items that have been or may be reclassified subsequently to the income statement</i>			
Cash flow hedges:			
Result from revaluation of derivatives recognized in equity		-176	-8
Transferred to the income statement for the period		523	-202
Hedge cost		-13	-21
Translation differences in foreign operations		177	32
Income tax attributable to components in other comprehensive income		-78	48
Total		433	-151
Other comprehensive income for the period, net of tax		8,990	6,145
Total comprehensive income for the period		15,811	12,246
Total comprehensive income attributable to:			
EQ Owners of the Parent		15,738	12,086
EQ Non-controlling interests		73	160



GROUP

Consolidated statement of change in equity **EQ**

SEKm	2022	2021
Attributable to owners of the Parent		
Value January 1	83,055	72,163
OCI Total comprehensive income for the period	15,738	12,086
Cash flow hedge, transferred to cost of hedged investments	-6	66
Tax on cash flow hedge, transferred to cost	1	-14
Cash dividend	-2,282	-1,405
Acquisition of non-controlling interests	-148	160
Revaluation effect upon acquisition of non-controlling interests	-	-1
Value December 31	96,358	83,055
Non-controlling interests		
Value January 1	-	-
OCI Total comprehensive income for the period	73	160
Acquisition of non-controlling interests	-73	-160
Value December 31	-	-
Total equity, value December 31	96,358	83,055

For further information, see Note E8.



GROUP

Consolidated balance sheet **BS**

SEKm	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	D1	731	526
Buildings, land, machinery and equipment	D2	24,800	21,737
Forest assets	D3	97,882	84,497
<i>of which land assets</i>	D3	42,201	31,188
<i>of which biological assets</i>	D3	55,681	53,309
Right-of-use assets	D4	561	614
Holdings in associated companies and joint ventures	F2	1,106	428
Surplus in funded pension plans	C5	1,689	1,564
Non-current financial assets	E2	165	80
Deferred tax assets	B5	22	18
Other non-current assets		176	1
Total non-current assets		127,132	109,465
Current assets			
Inventories	D5	4,856	4,189
Trade receivables	E3	3,007	2,516
Current tax assets	B5	3	1
Other current receivables	D6	1,415	892
Current financial assets	E2	106	114
Cash and cash equivalents	E2	836	1,056
Total current assets		10,223	8,768
Total assets		137,355	118,233
EQUITY AND LIABILITIES			
Equity			
<i>Owners of the Parent</i>			
Share capital	E6, E8	2,350	2,350
Other capital provided		6,830	6,830
Reserves		31,833	23,161
Retained earnings including profit for the year		55,345	50,714
Total equity owners of the Parent		96,358	83,055
Non-current liabilities			
Non-current financial liabilities	E4	10,751	9,083
Provisions for pensions	C5	245	427
Deferred tax liabilities	B5	22,117	18,885
Other non-current provisions	D8	48	53
Other non-current liabilities	D7	66	50
Total non-current liabilities		33,227	28,498
Current liabilities			
Current financial liabilities	E4	1,789	1,056
Trade payables	D9	3,622	3,478
Current tax liabilities	B5	224	265
Current provisions	D8	108	239
Other current liabilities	D7	2,027	1,642
Total current liabilities		7,770	6,680
Total liabilities		40,997	35,178
Total equity and liabilities		137,355	118,233



GROUP

Consolidated cash flow statement **CF**

SEKm	Note	2022	2021
Operating activities			
IS Profit before tax		8,603	7,527
Change in liabilities regarding restructuring costs		-40	-394
T:1 Adjustment for non-cash items		-51	-315
Operating profit excluding non-cash items		8,512	6,818
Paid tax	B5	-859	-538
Cash flow from operating activities before changes in working capital		7,653	6,280
Cash flow from changes in working capital			
Change in inventories		-663	-163
Change in operating receivables		-957	-445
Change in operating liabilities		292	302
Cash flow from operating activities		6,325	5,974
Investing activities			
Corporate acquisitions		-832	0
Divestments		20	0
T:2 Investments in intangible and tangible fixed assets		-5,961	-5,111
T:2 Sale of tangible fixed assets		259	193
Acquisition of financial assets		-17	-4
Loans granted to external parties		0	-22
Repayment of loans from external parties		8	11
Cash flow from investing activities		-6,523	-4,933
Financing activities			
Loans raised	E4	4,223	1,481
Amortization of debt	E4	-1,788	-1,158
Amortization of debt, leases	E4	-183	-185
EQ Dividend		-2,282	-1,405
Cash flow from financing activities		-30	-1,267
Cash flow for the period			
Cash and cash equivalents, January 1		1,056	1,273
Exchange differences in cash and cash equivalents		8	9
Cash and cash equivalents, December 31	E2	836	1,056

T:1 Adjustment for non-cash items

SEKm		2022	2021
IS Depreciation and impairment of non-current assets		1,552	1,475
IS Measurement of fair value of forest assets	D3	-1,825	-1,753
Gain/loss on asset sales and swaps		-51	-46
Dissolution of provisions		-11	-6
Unpaid pertaining to one-off items related to the discontinuation of publication paper operations		-	0
Other		284	15
Total		-51	-315

T:2 Net investments in intangible and tangible fixed assets

SEKm		2022	2021
Current net investments in intangible and tangible fixed assets		-1,351	-1,195
Strategic net investments in intangible and tangible fixed assets		-4,351	-3,723
Total		-5,702	-4,918

For information concerning the Group's liquidity reserve, refer to the risk section on page 69.

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

A1. GENERAL ACCOUNTING PRINCIPLES AND NEW ACCOUNTING RULES

Reading instructions

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

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

The areas that SCA considers to be impacted the most by assessments and assumptions are:

- Segment reporting and revenue from contracts with customers, Note B1
- Remuneration after completion of employment, Note C5
- Forest assets, Note D3

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

IS Consolidated income statement

OCI Consolidated statement of comprehensive income

EQ Consolidated statement of change in equity

BS Consolidated balance sheet

CF Consolidated cash flow statement

Tx:x Reference to table in note

Basis for preparation

The SCA Group's financial statements are prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as adopted within the EU, and the Swedish Financial Reporting Board, Recommendation RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements are prepared in accordance with RFR 2, Reporting by Legal Entities, and the Annual Accounts Act. The accounts for both the Group and the Parent Company relate to the fiscal year that ended on December 31, 2022. SCA applies the historical cost method as basic principle for measurement of assets and liabilities. Biological assets and financial assets and liabilities, including derivative instruments, are, however, measured at fair value in the income statement. Land assets attributable to forest assets are measured at fair value in other comprehensive income. Financial assets in the form of equity instruments not held for trading are measured at fair value in other comprehensive income. In the Parent Company, biological assets are not measured at fair value.

Changes to accounting principles

New or revised IFRS and interpretations from IFRIC have not had any material impact on the Group's or the Parent Company's financial statements.

Principles of consolidation

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

Subsidiaries

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

Translation of foreign currency

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

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

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

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

Transactions and balance sheet items in foreign currency

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

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



GROUP

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

Revenue recognition

Sales revenue, which is synonymous with net sales, includes the consideration for goods and services sold within the Group's main business. This consists entirely of revenue from contracts with customers and is recognized in accordance with IFRS 15. Other operating income includes logistics income from SCA's transport activities, income for energy from the sale of district heating and electricity, income from sales of forest seedlings, gravel, tall oil and wood pellets, revenue from leases, land lease income from wind power and hunting and fishing rights, and capital gains from the sale of non-current assets. The translation differences on trade receivables are also recognized as other operating income. Most other operating income consists of revenue from contracts with customers and is recognized in accordance with IFRS 15. Income from electricity certificates and emission allowances is recognized as reduced energy costs. Interest income is recognized in accordance with the effective interest method, meaning the estimated change in value (effective interest) is recognized as interest income or interest expense in the income statement. Dividends received are recognized when the right to receive a dividend has been established.

Government grants

Government grants are recognized at fair value when there is reasonable assurance the grants will be received and that the Group will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in the income statement as a cost reduction during the same period as the costs. If the government grant is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income. For more information about Government grants, refer to Notes B2, B4 and D2.

GROUP

A2. APPLICATION OF FINANCIAL MEASURES NOT INCLUDED IN IFRS

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

A description of the performance measures used as a complement to the financial information reported according to IFRS is presented below.

Calculation of financial measures not included in IFRS

PERFORMANCE MEASURES		
Various types of performance measures and margin measures expressed as a percentage of net sales		
Key figure	Description	Application of the measure
Revenue	Total of net sales and other operating income	The measure is a complement to the follow up of net sales and is monitored by management in the Renewable Energy business area.
EBITDA	Profit before depreciation, amortization and impairment, financial items and taxes.	This measure is a complement to operating profit, as it shows the cash surplus from operations.
EBITDA margin	Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year. Renewable Energy is monitored according to the same structure as a percentage of revenue.	This measure is a complement to operating margin, as it shows the cash surplus in relation to net sales or revenue. Management uses the measure as one of the most important in controlling the company's business areas.
Operating margin	Operating profit as a percentage of net sales for the year. Renewable Energy is monitored according to the same structure as a percentage of revenue.	Operating margin describes operating profit in relation to net sales or revenue.
Net margin	Profit for the period as a percentage of net sales for the period.	Net margin describes how much of net sales remains after costs and tax have been deducted.
Restructuring costs	Costs for impairment together with personnel costs in connection with structural changes to the company's operations.	This measure shows the specific costs that have arisen in connection with structural changes of an operation, which contributes to an understanding of the underlying cost level in the continuing operating activities.

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

SEKm	2022	2021
CAPITAL EMPLOYED		
Forest assets	97,882	84,497
Working capital	4,138	2,823
Deferred tax relating to forest assets	-19,468	-16,905
Other capital employed	23,795	20,392
Capital employed	106,347	90,807
CAPITAL EMPLOYED PER SEGMENT		
Forest	80,077	69,046
Wood	3,605	3,746
Pulp	9,073	8,021
Containerboard	10,704	8,989
Other	2,888	1,005
Capital employed	106,347	90,807

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

SEKm	Note	2022	2021
WORKING CAPITAL			
Inventories	D5	4,856	4,189
Trade receivables	E3	3,007	2,516
Other current receivables	D6	1,412	891
Trade payables	D9	-3,404	-3,141
Other current liabilities	D7	-1,684	-1,532
Other current provisions	D8	-49	-100
Working capital		4,138	2,823



GROUP

Key figure	Description	Application of the measure	
Net debt	Calculated as current and non-current financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).	Net debt describes the company's total debt financing and is monitored by the management.	
SEKm		2022	2021
NET DEBT			
Net debt January 1		7,752	7,671
Net cash flow		2,675	652
Revaluations to equity		-394	-448
Change in lease liability		-49	-114
Exchange rate effects and market value changes		5	-9
Net debt December 31		9,989	7,752
Surplus in funded pension plans		1,689	1,564
Non-current financial assets		165	80
Current financial assets		106	114
Cash and cash equivalents		836	1,056
Financial assets		2,796	2,814
Non-current financial liabilities		10,751	9,083
Provisions for pensions		245	427
Current financial liabilities		1,789	1,056
Financial liabilities		12,785	10,566
Net debt		9,989	7,752

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

RETURN MEASURES Return is a financial term that describes how much the value of an asset changes from an earlier point in time

Key figure	Description	Application of the measure
Return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of average capital employed for the two most recent quarters. One-off items are excluded. Industrial segments only use industrial ROCE.	Used to measure return on capital tied up in operations.
Return on capital employed, industrial ROCE	Calculated as the Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment, operations in the wind power area and a share of Other operations. Strategic capital expenditures in industry that have not begun operating and one-off items are excluded. This measure applies to the Wood, Pulp and Containerboard segments.	Shows the underlying industrial return on capital employed adjusted for the ongoing strategic capital expenditures.

SEKm	Forest	Wood	Pulp	Container-board	Other	Group
2022 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit/loss, SEKm	2,470	1,842	2,375	2,420	-465	8,642
Industrial average capital employed, SEKm		3,794	8,177	3,802	135	15,909
Average ongoing strategic capital expenditures, SEKm		-	485	5,950	1,167	7,602
Total average capital employed, SEKm	72,852	3,794	8,662	9,752	1,585	96,645
Return on capital employed, ROCE, %	3.4					8.9
Return on capital employed, industrial ROCE, %		48.5	29.0	63.6		40.1
2021 fiscal year						
<i>Return on capital employed, ROCE</i>						
Operating profit/loss, SEKm	2,406	2,739	1,525	1,331	-367	7,634
Industrial average capital employed, SEKm		3,575	8,664	4,491	-589	16,141
Average ongoing strategic capital expenditures, SEKm		-	-	3,471	498	3,969
Total average capital employed, SEKm	63,711	3,575	8,664	7,775	-192	83,533
Return on capital employed, ROCE, %	3.8					9.0
Return on capital employed, industrial ROCE, %		76.6	17.6	30.0		33.0



GROUP

CASH FLOW PERFORMANCE MEASURES		
Various performance measures and costs that have impacted the company's cash flow		
Key figure	Description	Application of the measure
Operating cash surplus	EBITDA with deductions for capital gains and capital losses from tangible and intangible assets, the reversal of the result of participations in associated companies and joint ventures and the result of the revaluation of biological assets.	This measure shows cash flow generated by the income statement when calculating operating cash flow.
Current capital expenditures, net	Current capital expenditures, net are made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature with deductions for compensation from divested non-current assets. Operating cash flow also includes the effects from additional, remeasured and prematurely terminated right-of-use assets associated with leases.	Shows the size of the capital expenditures required to maintain existing capacity in operations.
Operating cash flow	Operating cash flow comprises the sum of operating cash surplus and change in working capital, with deductions for current net investments in tangible fixed assets and restructuring costs.	The management controls the business areas using this measure that shows the combined cash flow from operating activities.

Operating cash flow

SEKm	Forest		Wood		Pulp		Containerboard	
	2022	2021	2022	2021	2022	2021	2022	2021
Operating cash surplus	851	878	2,096	2,885	2,966	2,084	2,854	1,761
Change in working capital	-166	253	97	-451	-736	-84	-347	-23
Current capital expenditures, net	-354	-359	-355	-431	-228	-138	-329	-242
Other	1	-9	23	-25	57	-1	48	-2
Operating cash flow	332	763	1,861	1,978	2,059	1,861	2,226	1,494

Consolidated operating cash flow statement

SEKm	2022	2021
IS EBITDA	10,194	9,109
Changes in value of biological assets and other non-cash items	-1,863	-1,883
Operating cash surplus	8,331	7,226
Change in working capital	-1,328	-306
Restructuring costs	-40	-394
Current net investments ¹⁾	-1,436	-1,236
Other operating cash flow	158	-74
Operating cash flow	5,685	5,216

¹⁾ Includes SEK -85m (-40) from new, remeasured and terminated lease contracts.

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

B. SALES AND EARNINGS

B1. SEGMENT REPORTING AND REVENUE FROM CONTRACTS WITH CUSTOMERS

AP ACCOUNTING PRINCIPLES

Segments

Segments are recognized in accordance with IFRS 8 Operating Segments in a manner that complies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. At SCA, this function has been identified as the company's President and CEO, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. The Executive Management supports the President and CEO in his work, see the section Corporate governance in the Board of Directors' Report on pages 74–83.

A description of the four operating segments can be found on pages 24–41.

Revenue from contracts with customers

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

KA KEY ASSESSMENTS AND ASSUMPTIONS

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

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

The transaction price primarily consists of a fixed price per sold quantity. Variable parts, such as cash discounts, volume discounts and delivery bonuses, reduce the transaction price. The transaction price is estimated at the value that is expected to accrue to SCA when entering into the agreement. The transaction price is continuously updated if the circumstances that form the basis of the estimate change. Performance obligations consist of sales of goods, which are satisfied at a point in time. The control is transferred to the customer at the same time as the risk for the goods is transferred, in accordance with the Incoterms applicable in the contract. SCA applies the Delivered At Place (DAP) terms for 53% (48) of sales revenues, meaning risk is transferred when the goods are made available to the customer at the agreed destination. For other freight terms applied, the risk is transferred when the goods are loaded on to the vessel or other freight vehicles. Payment terms follow industry practice without long credit periods.

SCA has determined that all revenue recognized as net sales and other operating income pertaining to goods and services constitute revenue from contracts with customers. Net sales comprise the sales of goods. Other operating income comprises the sales of goods and services.

TB1:1 Group by country

	Net sales – sold by ¹⁾				Average number of employees						Non-current assets ²⁾	
	2022		2021		2022	Of whom, %		2021	Of whom, %		2022 SEKm	2021 SEKm
	SEKm	%	SEKm	%		men	women		men	women		
Sweden	20,002	96	18,218	97	3,259	78	22	3,501	78	22	121,187	105,501
Germany	-	-	-	-	21	58	42	30	58	42	30	34
United Kingdom	164	1	167	1	8	52	48	12	54	46	76	82
Rest of Europe												
Latvia	3	0	-	-	11	49	51	15	47	53	1,741	1,223
Estonia	7	0	4	0	8	62	38	8	62	38	646	533
Lithuania	-	-	-	-	-	-	-	-	-	-	294	-
France	-	-	-	-	-	-	-	2	100	-	-	-
Netherlands	-	-	-	-	1	100	-	1	100	-	-	-
Belgium	-	-	-	-	-	-	-	1	100	-	-	-
Total, Rest of Europe	10	-	4	-	20	57	43	27	58	42	2,681	1,756
Asia												
Hong Kong	618	3	433	2	5	47	53	7	43	57	-	1
Total Asia	618	3	433	2	5	47	53	7	43	57	-	1
Total Group	20,794	100	18,822	100	3,313	78	22	3,577	78	22	123,974	107,374

¹⁾ "Sold by" means revenue from external customers based on where SCA's sales subsidiary has its registered office.

²⁾ Non-current assets comprise goodwill, other intangible assets, buildings, land, machinery and equipment, forest assets and right-of-use assets.



GROUP

Intra-Group deliveries

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

Operating segments

SCA recognizes four operating segments in accordance with IFRS 8.

The Forest segment supplies SCA's industries with timber. The segment includes managing and harvesting on SCA's own forest land, sourcing timber from other forest owners and transporting the timber to SCA's industries. The segment also includes activities in Renewable Energy linked to the forest, primarily wind power leases and the sale of unrefined biofuel. SCA's own forest land amounts to 2.7 million hectares in northern Sweden and the Baltic region.

The Wood segment includes five sawmills in northern Sweden and wood processing and distribution to the building materials trade in Sweden and France. The segment also includes activities in Renewable Energy that are primarily linked to pellets production.

The Pulp segment encompasses the production and sale of bleached softwood kraft pulp (NBSK) and chemi-thermomechanical pulp (CTMP), which are produced at the Östrand pulp mill. The Östrand pulp mill is also a net producer of green energy and biochemicals such as tall oil and turpentine. The segment also includes activities in Renewable Energy that are primarily linked to future opportunities to produce green biofuels.

The Containerboard segment includes packaging paper with kraftliner manufacturing at the Obbola and Munksund paper mills.

The wind farm acquired on December 20, 2022 belongs to Renewable Energy and is included in the Other segment.

Reporting by operating segment

SEKm	Forest	Wood	Pulp	Container-board	Other	Eliminations	Total Group
2022 fiscal year							
TB1:1 TB1:2 External sales	9	6,753	7,209	6,823	-		20,794
Internal sales	6,677	-	-	-	-	-6,677	-
IS Net sales	6,686	6,753	7,209	6,823	-	-6,677	20,794
Other operating income	693	1,065	2,020	1,461	202	-2,278	3,163
<i>of which goods</i>	513	735	559	237	78	-312	1,810
<i>of which services</i>	0	309	1,385	1,174	86	-1,992	962
<i>of which leases</i>	93	8	0	1	23	0	125
<i>of which other operating income</i>	87	13	76	49	15	26	266
Revenue	7,379	7,818	9,229	8,284	202	-8,955	23,957
Operating expenses	-4,683	-5,722	-6,262	-5,432	-596	8,955	-13,740
Result from participations in associated companies	-	-17	-6	-	-	-	-23
EBITDA	2,696	2,079	2,961	2,852	-394		10,194
Depreciation and impairment	-226	-237	-586	-432	-71		-1,552
Operating profit/loss	2,470	1,842	2,375	2,420	-465		8,642
Other disclosures							
Capital employed	80,077	3,605	9,073	10,704	2,888		106,347
Net investments ¹⁾	-1,163	-355	-236	-2,962	-1,071		-5,787

¹⁾ Includes SEK -85m from new, remeasured and terminated lease contracts in 2022.

SEKm	Forest	Wood	Pulp	Container-board ¹⁾	Other	Eliminations	Total Group
2021 fiscal year							
TB1:1 TB1:2 External sales	4	7,080	5,716	5,456	566		18,822
Internal sales	6,144	-	27	-	-	-6,171	-
IS Net sales	6,148	7,080	5,743	5,456	566	-6,171	18,822
Other operating income	648	1,011	1,413	1,136	507	-2,066	2,649
<i>of which goods</i>	455	626	412	159	64	-316	1,400
<i>of which services</i>	20	316	895	902	238	-1,640	731
<i>of which leases</i>	72	7	-	-	9	-	88
<i>of which other operating income</i>	101	62	106	75	196	-110	430
Revenue	6,796	8,091	7,156	6,592	1,073	-8,237	21,471
Operating expenses	-4,152	-5,194	-5,060	-4,831	-1,433	8,237	-12,433
Result from participations in associated companies	-	71	-	-	-	-	71
EBITDA	2,644	2,968	2,096	1,761	-360		9,109
Depreciation and impairment	-238	-229	-571	-430	-7		-1,475
Operating profit/loss	2,406	2,739	1,525	1,331	-367		7,634
Other disclosures							
Capital employed	69,046	3,746	8,021	8,989	1,005		90,807
Net investments ¹⁾	-478	-431	-250	-3,264	-536		-4,959

¹⁾ Includes SEK -40m from new, remeasured and terminated lease contracts in 2021.

GROUP

Customers

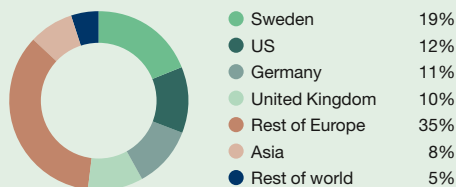
SCA's ten largest customers account for 31% (32) of the company's sales. Revenue from the largest customer amounts to SEK 3,241m (2,440), which represents 16% (13) of net sales, and is reported in the Containerboard segment.

TB1:2 Group by country

	Net sales – sold to ¹⁾			
	2022		2021	
	SEKm	%	SEKm	%
Sweden	3,947	19	3,703	20
US	2,533	12	2,114	11
Germany	2,205	11	1,875	10
United Kingdom	2,017	10	2,033	11
Rest of Europe				
Norway	1,192	6	1,270	7
France	967	5	906	5
Spain	830	4	634	3
Finland	705	3	491	3
Poland	578	3	444	2
Denmark	550	3	530	3
Italy	486	2	412	2
Netherlands	429	2	347	2
Turkey	233	1	246	1
Belgium	248	1	239	1
Austria	206	1	166	1
Other	918	4	779	4
Total, Rest of Europe	7,342	35	6,464	34
Asia				
Japan	605	3	786	4
China	509	2	402	2
Other	520	3	523	3
Total Asia	1,634	8	1,711	9
Rest of world				
Morocco	424	2	430	2
Other	692	3	492	3
Total, rest of world	1,116	5	922	5
Total Group	20,794	100	18,822	100

¹⁾ Net sales recognized as "Sold to" compiles sales to countries where SCA has its customers.

Net sales by geography in 2022



B2. OTHER OPERATING INCOME

Specification of other operating income

SEKm	2022	2021
Transportation	944	699
Energy	1,106	913
Leases	125	89
Other	988	948
IS Total	3,163	2,649

Other disclosures

Government grants received increased other operating income by SEK 2m (28).

B3. RAW MATERIALS AND CONSUMABLES

Specification of raw materials and consumables

SEKm	2022	2021
Timber and chips	-2,454	-2,909
Other raw materials and consumables	-1,958	-1,507
Goods purchased for resale	-165	-37
IS Total	-4,577	-4,453

B4. OTHER OPERATING EXPENSES

Specification of other operating expenses

SEKm	2022	2021
Transportation	-4,385	-3,578
Energy	-538	-496
Repairs and maintenance	-745	-665
IT, telephony and rents	-375	-377
Other	-2,235	-1,483
IS Total	-8,278	-6,599

Other disclosures

Government grants received have reduced operating expenses by SEK 16m (8), excluding all of the effects from the European system for emission allowances described under Note D1. Costs for research and development amounted to SEK 13m (31) in 2022.

Specification of auditing expenses

SEKm	2022	2021
EY		
Audit assignments	-11	-10
Auditing activities other than the audit assignment	-1	0
Total EY	-12	-10
Other auditors		
Audit assignments	-1	-1
Total other auditors	-1	-1
Total	-13	-11

GROUP

B5. TAXES

AP ACCOUNTING PRINCIPLES

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

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

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

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

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

KAA KEY ASSESSMENTS AND ASSUMPTIONS

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

As of December 31, 2022, SEK 22m (18) was recognized as deferred tax assets based on best assessment of future taxable profits in the Group. At year-end 2022, the Group also had tax loss carryforwards of SEK 35m (50), for which no deferred tax asset had been recognized. Accordingly, a changed assessment of the probability of future taxable profits could have a positive or negative effect. In SCA's opinion, at the end of 2022 there were no material uncertain tax items in the financial statements which could result in a significant adjustment of the reported values during forthcoming fiscal years.

Key assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks. For further information, refer to Note G2.

TB5:1 Tax expense

Tax expense (+), tax income (-)

SEKm	2022		2021	
	SEKm	% ¹⁾	SEKm	% ¹⁾
Current tax				
Income tax for the period	789	9.2	736	9.8
Adjustments for other periods	28	0.3	53	0.7
Current tax expense	817	9.5	789	10.5
Deferred tax				
Changes in temporary differences	972	11.3	756	10.0
Adjustments for other periods	-7	-0.1	-119	-1.6
Revaluation	0	0.0	0	0.0
TB5:3 Deferred tax expense	965	11.2	637	8.4
IS Tax expense	1,782	20.7	1,426	18.9

¹⁾ Percentage of profit before tax.

Explanation of tax expense

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

SEKm	2022		2021	
	SEKm	%	SEKm	%
IS Profit before tax	8,603		7,527	
IS Tax expense	1,782	20.7	1,426	18.9
Expected tax expense	1,788	20.8	1,549	20.6
Difference	-6	-0.1	-123	-1.7
The difference is due to:				
Permanent differences between accounting and taxable result				
Other permanent effects ¹⁾	-27	0.3	-57	-0.8
Taxes related to other periods ²⁾	22	0.3	-65	-0.9
Changes in the value of deferred tax assets	-	-	0	0
Changes in tax rates	-1	0.0	-1	0.0
Total	-6	-0.1	-123	-1.7

¹⁾ Other permanent effects in 2022 relate primarily to non-taxable earnings from associated companies, non-taxable dividends, adjustment of expected tax deductions attributable to investments in equipment and non-taxable income relating to tonnage tax. Other permanent effects in 2021 relate primarily to non-taxable earnings from associated companies and non-taxable income relating to tonnage tax.

²⁾ Taxes attributable to other periods in 2022 primarily relate to adjustments to previous tax assessments. Taxes attributable to other periods in 2021 relate, for the most part, to future tax deductions attributable to investments in equipment and adjustments to previous tax assessments.

GROUP

Current tax liability

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

SEKm	2022	2021
Value January 1	264	13
TB5:1 Current tax expense	817	789
CF TB5:2 Paid tax	-859	-538
Translation differences	0	0
Other changes from acquisitions, divestments	-1	0
Value December 31	221	264
BS of which current tax liability	224	265
BS of which current tax asset	-3	-1

TB5:2 Paid tax

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

SEKm	2022	2021
France	-22	-
Sweden	-827	-530
United Kingdom	-5	-3
Germany	-5	-5
Other	0	0
CF Total	-859	-538

TB5:3 Deferred tax liability 2022

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

SEKm	Value January 1	Deferred tax expense	Other changes ¹⁾	Value December 31
Intangible fixed assets	3	-3	-	0
Tangible fixed assets	1,909	470	-	2,379
Forest assets	16,905	409	2,154	19,468
Financial fixed assets	288	11	24	323
Current assets	-59	25	5	-29
Provisions	-100	6	57	-37
Liabilities	-10	-2	60	48
Future tax credits and tax loss carryforwards	-75	76	-50	-49
Other	6	-27	13	-8
BS Total ²⁾	18,867	965	2,263	22,095

¹⁾ Other changes include deferred tax recognized directly in equity according to IAS 19 of SEK 82m and IFRS 9 hedge accounting derivatives of SEK 77m and deferred tax attributable to the change in fair value of land assets of SEK 2,154m. Furthermore, SEK -50m pertaining to deferred tax relating to acquired deficits is included.

²⁾ The closing deferred tax liability comprises deferred tax assets of SEK 22m (18) and deferred tax liabilities of SEK 22,117m (18,885).

Loss carryforwards

Future tax credits and loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount of SEK -49m on the line future tax credits and tax loss carryforwards in table **TB5:3**. Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 35m (50), gross, at December 31, 2022, see table **TB5:4**. The tax value of uncapitalized tax loss carryforwards amounted to SEK 7m (12). In SCA's opinion, it is not probable that loss carryforwards for which no deferred tax was recognized will be offset against future profits as these largely concern saved capital losses with a limited right of deduction against future capital gains. The expiry dates of these loss carryforwards are distributed as shown in table **TB5:4**.

TB5:4 Loss carryforwards, gross, for which no deferred tax assets were recognized as per December 31, 2022

SEKm	2022	2021
Year of maturity		
Indefinite life	35	50
Total	35	50

C. EMPLOYEES

C1. PERSONNEL COSTS

Personnel costs

SEKm	Note	2022	2021
Salaries and remuneration		-1,778	-1,862
TC3:1 of which Executive Management		-69	-68
of which Board	C4	-9	-8
Pension costs		-248	-251
of which defined benefit pension costs	C5	-76	-100
of which other pension costs		-172	-151
Other social security costs		-544	-482
Other personnel costs		-57	-8
IS Total personnel costs		-2,627	-2,603

C2. PERSONNEL DATA

Average number of employees

	2022	2021
Average number of employees	3,313	3,577
of whom men	2,576	2,789
of whom women	737	788

C3. REMUNERATION OF SENIOR EXECUTIVES

Guidelines for remuneration of senior executives

These guidelines were adopted by the 2022 Annual General Meeting (AGM) and shall thereafter apply to remuneration to Board members, the President and CEO, vice President as well as other members of the senior management. The guidelines do not apply to remuneration resolved by the general meeting.

Principles for remuneration

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit, motivate and retain qualified personnel through competitive remuneration in line with market levels. To this end, the total remuneration is to correspond to market practice and be competitive on the senior manager's field of profession, as well as being linked to the manager's responsibility, authority and performance. Remuneration may consist of fixed salary, variable salary, other benefits and pension, jointly referred to as total remuneration. The company's business strategy is available on pages 20–23.

Variable remuneration

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

Short-term performance goals may include, for example, organic growth, profit, cash flow, capital efficiency, return, health-safety-environment, individual targets, or a combination thereof. Remuneration that may be paid under such short-term performance goals shall not exceed 100% of the fixed annual salary.

Long-term performance goals shall be linked to the value development of the company's Class B share and the company's increased climate benefits. Remuneration that may be paid under such long-term performance goals, including Performance period, maximum amount and other main conditions, shall therefore be approved by the general meeting.

Total variable remuneration related to short-term performance goals and long-term performance goals in accordance with the description above shall not exceed 100% of the fixed annual salary.

Additionally, variable remuneration in the form of project bonuses may be awarded in individual cases. The performance goals shall, in such cases, be linked to the project (e.g. investment or production volume) in order to promote the completion of the project. The achievement of goals is measured, and bonus may be paid, after one or several years. Such project bonus shall not exceed 40% of the total fixed annual salary during the relevant period. The company shall be able to refrain from paying variable remuneration when required and possible under applicable law, if there is special cause and withholding the payment is necessary to serve the company's long-term interests, including its sustainability. The company shall also have the possibility to, under applicable law, reclaim variable remuneration paid on incorrect grounds.

Pension and other benefits

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

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

In the event of termination of employment, a notice period of no longer than two years shall apply if termination is initiated by the company, or no longer than one year, if termination is initiated by the senior executive. There will be no severance pay.

Decision-making process and reporting

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

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

Application of and deviation from the guidelines

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

The guidelines do not take precedence over mandatory provisions under applicable employment regulation or collective agreements. In addition, they are not applicable to agreements already signed.

GROUP

Application of guidelines for remuneration of senior executives 2022

In 2022, the company has complied with the applicable remuneration guidelines as adopted by the AGM. No deviations were made from the guidelines, nor were any deviations made from the decision-making process with regard to the determination of remuneration stated in the guidelines. The auditor statement on the company's compliance with the guidelines is available on www.sca.com. There were no demands to repay remuneration.

Fixed salary

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

Variable remuneration

The President and CEO and other senior executives were part of SCA's program for variable remuneration where remuneration is paid according to SCA's guidelines. The total variable remuneration could, for the President and CEO, amount to a maximum of 100% of fixed salary while the variable remuneration for other senior executives could amount to a maximum of 80% of fixed salary. Variable remuneration was divided into a short-term and long-term portion.

The short-term variable remuneration (Short Term Incentive, STI) could, for the President and CEO, amount to a maximum of 50% of the fixed salary and for other senior executives to 40% of the fixed salary. The established STI targets in 2022 for the President and CEO and CFO focused on the Group's EBITDA, profit for the year, operating cash flow, industrial return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA). For senior executives with Central Staff functions, the Manager for the support unit Sourcing & Logistics and for the Business Area Manager of Forest, the STI targets focused on the Group's EBITDA, operating cash flow, industrial return on capital employed as well as development relating to the number of workplace accidents that result in lost-time accidents (LTA). For the Wood, Pulp and Containerboard business area presidents, the STI targets in addition to Group-wide targets relate to EBITDA, operating cash flow as well as return on capital employed for each segment. The Manager of Renewable Energy follows the Group-wide targets.

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

The LTI program's performance criteria comprise a financial target related to the total shareholder return ("TSR") of the company's Class B share during the 2022, 2023 and 2024 fiscal years (the "Performance period"), which shall be measured as 60% in comparison with a peer group of other comparable companies and as 40% in relation to the OMXS30 index (the "TSR condition"), as well as a sustainability target related to increased climate benefit (million tonnes of CO₂ equivalents,) during the Performance period (the "Sustainability condition"). The TSR condition will be weighted as 90% and the Sustainability condition as 10% when determining the disbursement of the cash payment. The maximum outcome requires the performance target (TSR) for the company to be 5% better than the outcome for the peer group and that the average annual climate benefit must increase by 1.5 million tonnes of CO₂ equivalents during the Performance period compared with the average annual climate benefit during the 2019, 2020 and 2021 fiscal years.

The evaluation period of the program covers the 2022, 2023 and 2024 fiscal years. Cash payment under the program can therefore not be made until 2025.

Supplementary variable program

For 2022, the Board of Directors resolved that the STI program should be supplemented with another short-term program. The supplement-

tary program is intended to act as a transition to LTI 2022–2024, which matures in 2025.

The targets in the supplementary short-term incentive program are solely financial and consist of EBITDA, operating cash flow and industrial return on capital employed.

The supplementary short-term variable portion could, for the President and CEO, amount to a maximum of 50% of the fixed salary and for other senior executives to 40% of the fixed salary.

Outcome, variable remuneration

For the President and CEO, STI resulted in 100% of the annual maximum STI payment for 2022. For other senior executives, STI resulted in 93.4–100% of the annual maximum STI payment for 2022. Targets for the supplementary STI program were achieved and resulted in maximum outcome for the President and CEO and other senior executives, which provided supplementary STI compensation equivalent to 50% and 40% respectively of the fixed salary. The President and CEO and other senior executives are entitled, as all Swedish white collar employees at SCA, to convert proceeds from variable pay programs into pension. This process is cost neutral for SCA.

Pensions

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

Other benefits

Other benefits pertained to company cars and any other agreed benefits.

Notice period and severance pay

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

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

Preparation and decision process for remuneration

During the year, the Remuneration Committee submitted recommendations to the Board of Directors regarding the principles for remuneration of Senior executives. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of corporate management for the fiscal year was based on the Remuneration Committee's recommendation. Matters of remuneration of the President and CEO were resolved by the Board of Directors. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed necessary, the work of the Remuneration Committee was carried out with the support of external expertise. For information about the composition of the Remuneration Committee, see page 77.

Current guidelines

The guidelines for determining salaries and other remuneration for senior executives as resolved by the 2022 AGM, apply until the 2026 AGM, unless significant changes are made before then.



GROUP

TC3:1 Remuneration and other benefits in 2022

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO ³⁾	10,500,000	10,500,000	147,933	21,147,933
Other senior executives (11 persons) ⁴⁾	26,096,200	20,794,856	1,139,300	48,030,356
Total	36,596,200	31,294,856	1,287,233	69,178,289

¹⁾ Fixed salary consists of salary paid and vacation pay supplement for the period and, where applicable, the value of housing benefits.

²⁾ Variable remuneration covers the 2022 fiscal year but is paid in 2023.

³⁾ The supplementary STI program includes variable remuneration of SEK 5,250,000.

⁴⁾ The supplementary STI program includes variable remuneration of SEK 10,434,400.

Remuneration and other benefits in 2021

SEK	Fixed salary ¹⁾	Variable remuneration ²⁾	Other benefits	Total salaries and remuneration
President and CEO ³⁾	9,625,000	9,240,000	133,247	18,998,247
Other senior executives (11 persons) ⁴⁾	27,219,969	20,257,360	1,124,346	48,601,675
Total	36,844,969	29,497,360	1,257,593	67,599,922

¹⁾ Fixed salary consists of salary paid and vacation pay supplement for the period and, where applicable, the value of housing benefits.

²⁾ Variable remuneration covers the 2021 fiscal year but is paid in 2022.

³⁾ The LTI program includes variable remuneration of SEK 4,812,500.

⁴⁾ The LTI program includes variable remuneration of SEK 10,176,000.

The Senior executives category above includes 11 (11) persons, of which 8 (8) are men and 3 (3) are women.

Pension costs 2022¹⁾

SEK	
President and CEO ²⁾	4,371,666
Other senior executives (11 persons) ²⁾	9,431,337
Total	13,803,003

¹⁾ The pension costs pertain to the costs that affected profit for 2022, excluding pension tax expense.

²⁾ Outstanding pension obligations to all senior executives, including the President and CEO, amounted to SEK 27,395,516 (value as of December 31, 2022). These primarily consist of defined benefit pension plans, including ITP.

Pension costs 2021¹⁾

SEK	
President and CEO ²⁾	4,020,610
Other senior executives (11 persons) ²⁾	9,115,953
Total	13,136,563

¹⁾ The pension costs pertain to the costs that affected profit for 2021, excluding pension tax expense.

²⁾ Outstanding pension obligations to all senior executives, including the President and CEO, amounted to SEK 37,499,324 (value as of December 31, 2021). These primarily consist of defined benefit pension plans, including ITP.

GROUP

C4. FEES TO BOARD MEMBERS IN THE PARENT COMPANY

Remuneration to non-executive Board members refers to the established fees approved at the 2022 AGM, for the period until the next AGM in March 2023. No remuneration is paid to the President and CEO and other employees.

SEK	Board fee		Audit Committee fee		Remuneration Committee fee		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Pär Boman	2,025,000	1,950,000	280,000	270,000	145,000	140,000	2,450,000	2,360,000
Charlotte Bengtsson	-	650,000	-	-	-	-	-	650,000
Åsa Bergman	675,000	-	-	-	-	-	675,000	-
Lennart Evrell	675,000	650,000	-	-	120,000	115,000	795,000	765,000
Annemarie Gardshol	675,000	650,000	-	-	-	-	675,000	650,000
Carina Håkansson	675,000	650,000	-	-	-	-	675,000	650,000
Martin Lindqvist	675,000	650,000	280,000	270,000	-	-	955,000	920,000
Bert Nordberg	-	650,000	-	-	-	115,000	-	765,000
Anders Sundström	675,000	650,000	-	-	120,000	-	795,000	650,000
Barbara Mililan Thoralfsson	675,000	650,000	390,000	375,000	-	-	1,065,000	1,025,000
Karl Åberg	675,000	-	-	-	-	-	675,000	-
Total	7,425,000	7,150,000	950,000	915,000	385,000	370,000	8,760,000	8,435,000

At the end of the year, SCA's Board consisted of 4 women and 6 men.

C5. REMUNERATION AFTER COMPLETION OF EMPLOYMENT

AP ACCOUNTING PRINCIPLES

Defined benefit pension plans

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

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

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

Defined contribution pension plans

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

Severance pay

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

KAA KEY ASSESSMENTS AND ASSUMPTIONS

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

GROUP

Provisions for pensions and similar obligations

SEKm	2022	2021
TC5:2 Defined benefit obligations	1,197	1,888
TC5:3 Fair value of plan assets	-3,522	-3,997
TC5:4 Effect of asset ceiling	881	972
TC5:1 Provision for pensions, net	-1,444	-1,137

Surpluses in funded plans recognized as financial non-current assets amounted to **BS** SEK 1,689m (1,564) on the balance sheet date and provisions for pensions totaled **BS** SEK 245m (427). Defined benefit obligations include obligations in an amount of SEK 117m (145) pertaining to unfunded plans.

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

TC5:1 Provisions for pensions and similar obligations per plan 2022

SEKm	Commitments				Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
	Active	Paid-up pension policies	Pensioners	Total				
Country								
Sweden	119	344	491	954	-2,560	-	-1,606	17
Other	158	37	48	243	-962	881	162	10
Total	277	381	539	1,197	-3,522	881	-1,444	

Sweden

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

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

Other

There are a number of minor pension obligations in Germany and Sweden. Some of these plans are funded.

Costs for the period for defined benefit plans

SEKm	2022	2021
Service cost for the period, after deduction for premiums paid by the employees	-38	-96
Pension tax expense	-15	-18
Net interest	14	5
Pension costs	-39	-109

TC5:2 Defined benefit obligations

SEKm	2022	2021
Value January 1	1,888	2,087
Service cost for the period	38	96
Interest expense	31	19
Pension tax expense	15	18
Benefits paid	-58	-59
Pension taxes paid	-5	1
Remeasurement: financial assumptions	-672	-51
Remeasurement: demographic assumptions	-12	-
Remeasurement: experience-based assumptions	49	-137
Pension taxes pertaining to remeasurement	-77	-87
Translation differences	0	1
Value December 31	1,197	1,888

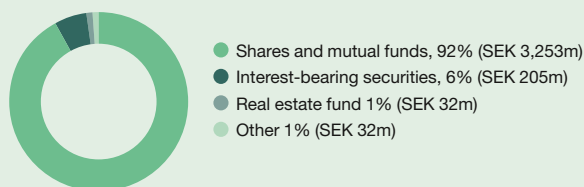
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include unexpectedly high or low employee turnover.

GROUP

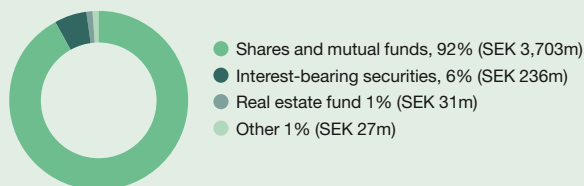
TC5:3 Fair value of plan assets

SEKm	2022	2021
Fair value January 1	-3,997	-3,778
Interest income	-58	-33
Contributions by the employer	-2	2
Benefits paid, excluding settlements	113	54
Return in excess of recognized interest income	422	-242
Translation differences	0	0
Fair value December 31	-3,522	-3,997

The plan assets are distributed according to the following classes of assets 2022:



The plan assets are distributed according to the following classes of assets 2021:



99% (100) of the plan assets on the balance sheet date were traded on active markets in which market quotations are used for the valuation of assets. As in the preceding year, no financial instruments issued by SCA are included in the fair value of plan assets at December 31, 2022.

TC5:4 Effect of asset ceiling

SEKm	2022	2021
Value January 1	972	892
Interest expense	15	8
Other changes to asset ceiling	-106	72
Value December 31	881	972

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

TC5:5 Principal actuarial assumptions

	Sweden
2022	
Discount rate	4.08
Expected salary increase rate	3.09
Expected inflation	2.27
Life expectancy, men ¹⁾	22
Life expectancy, women ¹⁾	24
2021	
Discount rate	1.54
Expected salary increase rate	3.09
Expected inflation	1.89
Life expectancy, men ¹⁾	22
Life expectancy, women ¹⁾	24

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

The discount rate for Germany was 3.77 (0.99).

TC5:6 Sensitivity analysis

SEKm	
Discount rate +0.25%	48
Price inflation, incl. salary inflation +0.25%	-54
Longevity +1 year	-47

The sensitivity analysis is calculated by changing one assumption while the others remain constant. An increased obligation is reported with a minus sign.

Other disclosures

Multiemployer plans

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

Budgeted contributions

The budgeted contributions for the company's defined benefit pension plans for 2023 were calculated at SEK 61m. Contributions for multiemployer plans for 2023 were calculated at SEK 3m.

D. OPERATING ASSETS AND LIABILITIES

D1. INTANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

Goodwill

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

Other intangible fixed assets

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

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

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

Impairment testing

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

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

An impairment loss recognized earlier is reversed, if the reasons for the impairment no longer exist. However, a reversal is not higher than the carrying amount before impairment loss. Impairment losses on goodwill are never reversed.

Emission allowances and costs for carbon dioxide emissions

SCA participates in the European system for emission allowances and receives a permit to emit a specific volume of carbon dioxide (CO₂) during a calendar year for each operation where an environmental permit is required. Emission allowances relating to CO₂ emissions are recognized as an intangible asset and as deferred income (liability) when they are received.

Emission allowances are received free of charge and measured and recognized at market value as of the date to which the allocation pertains. During the period, the initial liability for emission allowances received is dissolved over the income statement as income in pace with actual CO₂ emissions and meets the cancellation of the intangible asset from allocated emission allowances to the extent the allocation covers actual emissions. If the emission allowances received do not cover actual emissions, a provision is made for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the delivery date when the dissolution of the corresponding liability and disposal of the corresponding intangible assets occurs.

If the market price of emission allowances on the balance sheet date is less than recognized cost, any surplus emission allowances that are not required to cover emissions made are impaired to the market price. In conjunction with this, the remaining part of the deferred income is recognized as income by a corresponding amount and therefore no net effect occurs in the income statement. The emission allowances are used as payment in the settlement with the Swedish state regarding liabilities for actual CO₂ emissions.

Intangible fixed assets

SEKm	Intangible assets	
	2022	2021
Accumulated cost	917	773
Accumulated depreciation	-306	-268
Accumulated impairment	-90	-113
Total	521	392
Value January 1	392	279
Investments	147	166
Depreciation	-18	-17
Impairment	-	-36
Value December 31	521	392
TD1:1 Emission allowances, net value	210	134
BS Value December 31 including emission allowances	731	526

Impairment testing

Annual testing for potential impairment of goodwill is normally carried out in the fourth quarter. No impairment test was carried out in 2022 as there is no goodwill.

In addition to annual impairment testing of the cash-generating units, individual assets are tested to determine whether any impairment is needed.

TD1:1 Emission allowances

SEKm	2022	2021
Accumulated cost	210	134
Total	210	134
Value January 1	134	41
Emission allowances received	254	154
Sales	-110	-33
Settlement with the Swedish government	-68	-28
Value December 31	210	134

GROUP

D2. TANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

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

Land assets attributable to forest assets are recognized on a separate line in the balance sheet and are included in Note D3 Forest assets.

Depreciation and impairment

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

Assessed useful lives

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

Carrying amounts

SEKm	Buildings		Land and land improvements ¹⁾		Machinery and equipment		Construction in progress ²⁾		Total tangible fixed assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost	4,867	4,963	3,891	3,636	28,465	28,624	9,879	6,944	47,102	44,167
Accumulated depreciation	-2,115	-2,136	-2,227	-2,067	-16,587	-16,634	-	-	-20,929	-20,837
Accumulated impairment	-202	-242	-84	-84	-1,080	-1,260	-7	-7	-1,373	-1,593
Total	2,550	2,585	1,580	1,485	10,798	10,730	9,872	6,937	24,800	21,737
Value January 1	2,585	2,620	1,485	1,501	10,730	11,119	6,937	3,401	21,737	18,641
Investments ³⁾⁴⁾	39	41	145	116	190	294	3,311	3,947	3,685	4,398
Sales and disposals	7	-1	-	-4	-22	-72	-4	-	-19	-77
Asset acquisitions ⁵⁾	-	-	29	-	760	-	-	-	789	-
Company divestments	-	-	-	-	-	-	-36	-	-36	-
Reclassifications	62	50	60	8	227	423	-350	-481	-1	-
Depreciation	-144	-126	-139	-136	-1,088	-1,091	-	-	-1,371	-1,353
Impairment	-	-	-	-	0	57	-	-	0	57
Translation differences	1	1	-	-	1	-	14	70	16	71
BS Value December 31	2,550	2,585	1,580	1,485	10,798	10,730	9,872	6,937	24,800	21,737

¹⁾ Land and land improvements include forest roads valued at SEK 908m (917). Investments for the year in forest roads amounted to SEK 112m (91) and depreciation for the year to SEK 83m (84).

²⁾ Of the outgoing value of construction in progress and advance payments for property, plant and equipment, SEK 7,090m (5,348) pertains to the investment project in Obbola.

³⁾ During the period, interest was capitalized in an amount of SEK 162m (57). The average interest rate used was 2% (1).

⁴⁾ In 2022, investment grants were included in the amount of SEK 1m (4).

⁵⁾ Asset acquisitions in 2022 pertain entirely to the acquisition of wind farm operations.

D3. FOREST ASSETS

AP ACCOUNTING PRINCIPLES

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

The total value of the forest assets is based on transactions in the areas where SCA owns forest assets. To support this valuation, SCA retrieves statistics of transactions, which are available from two market sources. SCA uses inputs to measure its forest assets. According to IFRS 13, the inputs refer to different levels in the fair value hierarchy (see Note E1). The statistics obtained can be viewed as market-corroborated inputs in accordance with measurement level 2. However, the valuation of forest assets is entirely allocated to level 3, as the estimated forest volume contains assessments and the suppliers of the transaction data make certain adjustments using unobservable inputs (see **KAA**). In addition to this, an assessment is carried out of the transaction periods to be included in the calculation of an average price. No transfers have taken place between the measurement levels during the year. If a transfer had taken place between the measurement levels, this would be undertaken at year-end.

In combination with the valuation of total forest assets, and to determine the fair value of the Group's biological assets, expected future cash flows from the assets were also discounted. The calculation to establish the value of biological assets is based on existing, sustainable harvesting plans and assessments regarding growth, timber prices, harvesting and silviculture costs and selling expenses. Environmental restrictions and other limitations are taken into account which mean that the assets cannot be fully utilized. The effects of regulations as a result of known political decisions are taken into consideration. Demand for renewable raw materials and renewable energy is expected to increase and may have a positive impact on wood prices in the future. Changed climate conditions may lead to higher growth and in parallel increase the risk of infestation and extreme weather conditions. The impact of climate-related changes is difficult to assess since the cycles are long and entail both opportunities and risks. SCA manages this by conducting a sensitivity analysis **TD3:1** in the form of changed wood price, felling costs and volumes. The calculation is performed for a production cycle for biological assets that SCA estimated to average 100 years. The change in value is recognized in the income statement on the line item for change in value in biological assets.

The value of land assets constitutes the residual amount between the total value of forest assets calculated based on market data and the value of the biological assets based on discounted cash flows. To confirm the land value, SCA has discounted cash flows linked to land assets. Land assets relating to forest assets are recognized at fair value in accordance with IAS 16.31, and are recognized on a separate line in the balance sheet under forest assets. The change in value pertaining to land is recognized as other comprehensive income and does not impact profit for the year.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

SCA has based its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets. Market statistics are obtained from the providers Ludvig & Co and Svefa, which are two independent parties in relation to SCA. The providers process the data by adjusting market transactions that include other significant components in addition to forest land. SCA never adjusts the data. The regions where SCA owns forest are allocated in the data based on four different areas and the prices in these areas are used as a basis for the volume weighted price.

The calculated market price used by SCA is based on forest transactions over the last three years, therefore individual transactions will not have a major impact on the outcome. Since transactions often take longer than seven months there is no isolated market value given at December 31. To ensure that the volume of transactions offer an accurate picture of market development, given the aforementioned factors, SCA has chosen to use a three-year average.

The three-year average price in 2022 was SEK 366/m³fo (324) and is used to determine the total average value per m³fo of SCA's forest assets in Sweden. The market in the Baltic region is considered comparable with SCA's holdings in Sweden in terms of price, and is therefore measured at the same value per m³fo. The distribution of value between biological assets and land in the Baltic region takes place using SCA's own discounted cash flow model since the production cycles differ. As of December 31, 2022, timber volume is estimated to amount to approximately 260 million m³fo in Sweden and 7 million m³fo in the Baltic region.

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

Market data included in SCA's forest valuation¹⁾

	2022	2021	2020	2019
No. of transactions	135	176	219	251
Average price, SEK/m ³ fo	418	368	312	292
Average size of estate (ha)	137	75	61	67

¹⁾ Combined volume-weighted average from Svefa and Ludvig & Co distributed geographically across the areas where SCA has its forest holdings. SCA's forest holding is largely in the southern parts of northern Sweden, where prices are slightly above the average for northern Sweden as a whole.

Forest assets

SEKm	2022	2021
Forest assets in Sweden ¹⁾	95,206	82,746
Forest assets in the Baltic region ²⁾	2,676	1,751
Total value of biological assets and land assets	97,882	84,497
Deferred tax related to forest assets	19,468	16,905

¹⁾ The fair value of SCA's forest assets in Sweden in 2022 was based on a timber volume of approximately 260 million m³fo multiplied by the market price of SEK 366/m³fo.

²⁾ The fair value of SCA's forest assets in the Baltic region in 2022 was based on a timber volume of approximately 7 million m³fo multiplied by the market price of SEK 366/m³fo.



GROUP

Forest assets

SEKm	Biological assets		Land assets		Total forest assets	
	2022	2021	2022	2021	2022	2021
Value January 1	53,309	51,276	31,188	23,624	84,497	74,900
Acquisitions	559	340	636	110	1,195	450
Divestments	-12	-60	-21	-25	-33	-85
Other changes in fair value ¹⁾	2,892	2,518	10,398	7,479	13,290	9,997
Change due to felling	-1,067	-765	0	0	-1,067	-765
BS Value December 31	55,681	53,309	42,201	31,188	97,882	84,497

¹⁾ Other changes are primarily recognized as the increase in value due to market prices and growth of the forest.

The change in the fair value of biological assets and change due to felling are recognized as a net value in the income statement on the line change in value in biological assets. The change amounts to **IS** SEK 1,825m (1,753). SCA also capitalizes replanting costs. Total change in value of biological assets amounts to SEK 2,372m (2,033).

The current year's valuation of biological assets and land assets was based on market statistics and discounted cash flows. For the current year's valuation of biological assets, the same valuation model was used as in the previous year using a yield requirement of 3.5% (3.5) after tax. SCA takes a long-term view of the yield requirement on investments in forest assets and is unaffected by short-term movements in market interest rates. Since the total value of forest assets is based on market statistics in areas where SCA owns forest, the discount rate only impacts the allocation between biological assets and land assets.

When cash flow was discounted, estimated income and expenses were adjusted by an annual inflation rate of 2%. Assumptions regarding future price and cost levels are based on the outcome for prior years adjusted for inflation. The valuation assumes an average wood price of SEK 479 (457) per solid cubic meter under bark (m³sub). Annual harvesting in 2022 was 4.4 (4.3) million m³sub and is expected to rise over the future production cycle.

On average, 87% of harvesting is final harvesting and 13% thinning. Of this, 48% is expected on average over the years to comprise sawlogs and 52% pulpwood.

SCA's forest holdings in Sweden are made up of approximately 2.6 million hectares of forest assets primarily in northern Sweden, of which approximately 2.0 million is productive forest land. SCA also owns just over 57,000 hectares of forest land and 12,000 hectares of other land that can potentially be converted to forest land or be sold in Estonia, Latvia and Lithuania. Growth amounts to approximately 10.5 million m³fo per year, gross, on productive forest area. Net growth, meaning growth after harvesting and natural losses, is estimated to average 3.6 million m³fo per year in Sweden and 0.3 million m³fo per year in the Baltic region.

Forest assets

	2022 ¹⁾	2021 ¹⁾
Carrying amount SEK/hectare forest assets	47,585	42,249
Carrying amount SEK/m ³ fo	366	324

¹⁾ The values are calculated based on productive forest area.

TD3:1 Sensitivity analysis

SEKm	Change in assumption	Change in value, before tax	
		2022	2021
Total forest assets			
Market price based on market statistics ¹⁾	Price change 5% on a total volume of 267 (261) million m ³ fo	4,894	4,225
Forest holding's standing timber volume ¹⁾	3 million m ³ fo (approx. 1%)	1,099	972
Biological assets as a share of forest assets²⁾			
Discount rate	Reduction by 0.1%	2,188	2,132
Wood price	Increase of 10%	11,584	10,154
Felling cost	Increase of 10%	-3,179	-3,053
Volume	Increase of 10%	5,749	5,196

¹⁾ The sensitivity figures are based on the market price, which for 2022 has been set to SEK 366 (324) /m³fo. Sensitivity figures are based on the total value of forest assets.

²⁾ Since valuation in the discounted cashflows model treats the distribution of the market value of the total asset, this sensitivity would not impact the total value of the forest assets but rather transfer the value between biological assets and land assets.

The following charts and tables illustrate some of the components used to determine the Group's fair value for biological assets.

Growth in SCA's forest

2022	Volume, million m ³ fo	%
Value January 1, Sweden	256	
Available growth	9.1	3.6
<i>of which gross forest growth</i>	<i>10.5</i>	<i>4.1</i>
<i>of which natural losses and pre-commercial thinning</i>	<i>-1.4</i>	<i>-0.5</i>
Harvesting ¹⁾	-5.3	-2.1
Net forest growth	3.8	1.5
Value December 31, Sweden	260	
Holdings in Baltic region	7	
Value December 31	267	

¹⁾ Equal to about -4.4 million m³sub.

2021	Volume, million m ³ fo	%
Value January 1, Sweden	252	
Available growth	9.1	3.6
<i>of which gross forest growth</i>	<i>10.5</i>	<i>4.2</i>
<i>of which natural losses and pre-commercial thinning</i>	<i>-1.4</i>	<i>-0.6</i>
Harvesting ¹⁾	-5.2	-2.0
Net forest growth	3.9	1.5
Value December 31, Sweden	256	
Holdings in Baltic region	5	
Value December 31	261	

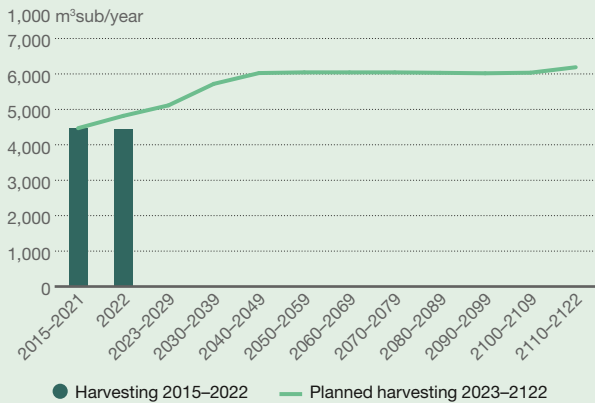
¹⁾ Equal to about -4.3 million m³sub.



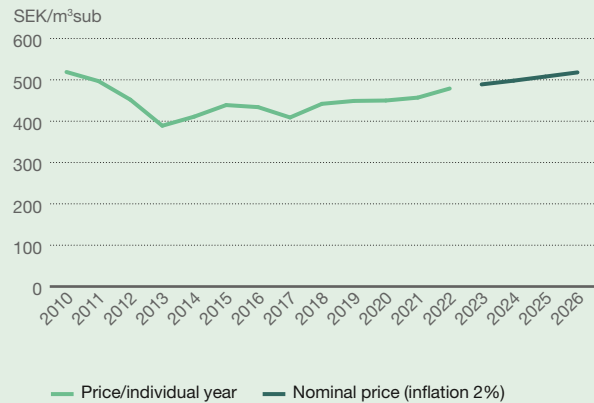
GROUP

Harvesting

Harvesting 2015–2022 and planned harvesting 2023–2122



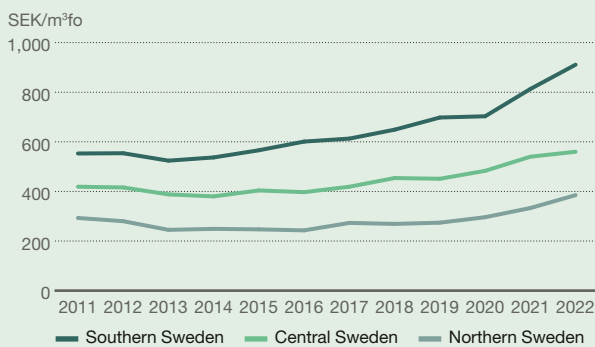
Nominal timber price



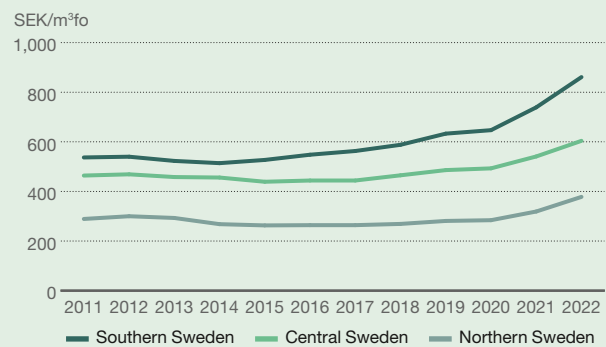
Market statistics of forest land prices are obtained from two parties that are independent in relation to SCA: Ludvig & Co and Svefa. The chart below shows forest land prices in Sweden, nominal value 2011–2022.

Forest land prices, Sweden, nominal value 2011–2022

Ludvig & Co



Svefa



Forest land prices in northern Sweden

	2018	2019	2020	2021	2022
Price, SEK/m³fo	269	274	296	333	385

Source: Ludvig & Co, nominal values

Forest land prices in northern Sweden

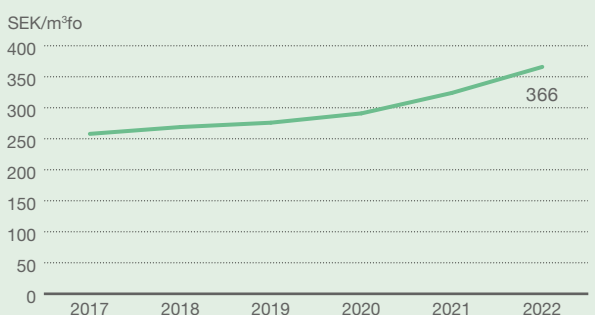
	2018	2019	2020	2021	2022
Price, SEK/m³fo	269	281	284	319	378

Source: Svefa, nominal values

SCA bases its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets, over the last three years. Data volume is then weighted based on SCA's forest holding before application to the total forest valuation. The three-year average price in 2022 was SEK 366/m³fo (324) and is used to determine the total average value per m³fo of SCA's forest assets in Sweden. The chart below shows historical market price 2017–2022 (based on three-year average).

Market price

Historical market price 2017–2022 (based on three-year average)



The table below illustrates SCA's purchases and divestments of forest land in Sweden over the past five years.

SCA's purchases and divestments of forest land in Sweden

Purchase	2018	2019	2020	2021	2022
Volume, thousand m³fo	197	429	288	467	448
Price, SEK/m³fo	286	334	294	379	453

Divestment	2018	2019	2020	2021	2022
Volume, thousand m³fo	192	959	319	255	602
Price, SEK/m³fo	268	264	259	198	386

D4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**AP ACCOUNTING PRINCIPLES****Lessee**

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

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

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

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

Impairment is addressed in Note D2.

Lessor

When SCA is a lessor, each contract is classified as either an operating or finance lease. A lease is classified as finance if the contract means the economic benefits and risks normally associated with ownership of the underlying asset are essentially transferred. A lease is classified as operating if the economic benefits and risks associated with ownership of an underlying asset are essentially not transferred. Lease payments are recognized as income on a straight-line basis over the contract term.

Agreements where SCA is a lessor are primarily consisting of development rights for land connected to wind power projects, leasing non-productive forest land and leasing parts of industrial facilities and other subletting of property. All contracts when SCA is lessor are classified as operating leases. The classification is primarily based on the master agreement entered into by SCA and not on the basis of the underlying asset.

KAA KEY ASSESSMENTS AND ASSUMPTIONS

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

The lease term is defined as the non-cancellable lease period together with periods that may be covered by an option to extend a lease if the lessee is reasonably certain of utilizing this alternative and periods covered by an option to terminate the lease if the lessee is reasonably certain of not utilizing this alternative. SCA has a number of contracts where the contractual terms clearly encompass extension periods. The right to an extension has been included in the lease term when SCA with reasonable assurance can determine that the contract will be extended. SCA has not included the right to an extension in the lease term where the lease period exceeds ten years as the assessment is that "reasonable assurance" cannot be applied to such a long interval. The following extension periods have been utilized for contracts that include a right to an extension for an unspecified period and where SCA with reasonable assurance will utilize this right: forklifts and other work vehicles 3 years, property 3–5 years.

A number of contracts include an option to withdraw from the agreement early, but where an early termination would trigger a termination fee, the size of which is dependent on when the agreement is terminated. In no instance over the lease term has SCA considered the option to withdraw from an agreement early as there are often significant termination fee. In cases where SCA and its counterparty are each independently entitled to terminate a lease without the consent of the counterparty and without a substantial financial penalty, SCA has considered the agreement as unenforceable. In cases where only the counterparty was entitled to terminate an agreement, the contract's period of notice has constituted the lease term. When SCA has been solely entitled to terminate an agreement, the lease term in the majority of cases was assessed as 3–5 years, as described above.

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

GROUP

Leases where SCA is lessee in accordance with IFRS 16
Carrying amounts right-of-use assets and lease liabilities

SEKm	Right-of-use assets						Lease liabilities ²⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other	Total	
Value January 1, 2022	261	214	80	39	20	614	636
Lease payments	-	-	-	-	-	-	-183
Depreciation	-56	-35	-34	-29	-8	-162	-
Interest expenses	-	-	-	-	-	-	24
Additional and remeasured contracts ¹⁾	55	4	27	18	2	106	106
Terminated contracts	0	-	-1	-1	0	-2	-2
Translation differences	5	-	0	0	0	5	7
BS Value December 31	265	183	72	27	14	561	588

¹⁾ Additional contracts amount to SEK 58m and remeasurement of existing contracts to SEK 48m. The remeasurement of leases mainly concerns the extension of the lease period for a number of rental contracts and indexed rental payments. Of the additional contracts, SEK 19m concerns land leases related to the wind farm acquired by SCA in the fourth quarter of 2022

²⁾ Of the total lease liability at year-end, SEK 439m is classified as non-current financial liabilities and SEK 149m as current financial liabilities. An analysis by maturities is provided in Note E4.

SEKm	Right-of-use assets						Lease liabilities ³⁾
	Properties, real estate	Trains	Work vehicles	Company cars	Other	Total	
Value January 1, 2021	289	249	117	49	25	729	751
Lease payments ¹⁾	-	-	-	-	-	-	-185
Depreciation	-50	-35	-36	-32	-10	-163	-
Interest expenses	-	-	-	-	-	-	25
Additional and remeasured contracts ²⁾	24	-	15	25	5	69	68
Terminated contracts	-10	-	-16	-3	0	-29	-31
Translation differences	8	-	0	0	-	8	8
BS Value December 31	261	214	80	39	20	614	636

¹⁾ During the year, SCA was not allocated any discounts related to Covid-19.

²⁾ Additional contracts amount to SEK 42m and remeasurement of existing contracts to SEK 27m. The remeasurement of leases mainly concerns the extension of the lease period for a number of rental contracts and indexed rental payments.

³⁾ Of the total lease liability at year-end, SEK 500m is classified as non-current financial liabilities and SEK 136m as current financial liabilities. An analysis by maturities is provided in Note E4.

TD4:1 Assessed useful lives

	Number of years
Company cars	3-4
Other	2-8
Trains	10
Work vehicles	3-12
Properties, real estate	3-40

Amounts reported in income statement

SEKm	2022	2021
Depreciation right-of-use assets	-162	-163
Interest expenses, lease liability	-24	-25
Lease payments related to low value leases	-3	-3
Lease payments related to short-term leases	-4	-30
Variable payments	-15	-18
Terminated contracts	-1	2
Total	-209	-237

Cash flow

SCA recognizes a cash flow effect arising from payments related to present value calculated leasing contracts of SEK 183m (185). The cash flow effect attributable to low value leases, short-term leases and variable payments amounts to SEK 22m (51).

TD4:2 Operating leases where SCA is lessor

Rental income for the year amounts to SEK 113m (75).

Future minimum lease payments for operating leases mature according to the table below:

SEKm	2022	2021
Within 1 year	115	96
Between 1 and 5 years	387	291
More than 5 years	161	168
Total	663	555

GROUP

D5. INVENTORIES

AP ACCOUNTING PRINCIPLES

Inventories are measured at the lower of cost and net realizable value.

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

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

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

Inventories

SEKm	2022	2021
Raw materials and consumables	1,424	1,784
Spare parts and supplies	693	449
Products in progress	83	52
Finished products	1,630	914
Felling rights	1,026	990
BS Total	4,856	4,189

Impairment of inventory amounted to SEK 44m (13) during the period.

D6. OTHER CURRENT RECEIVABLES

AP ACCOUNTING PRINCIPLES

Derivatives

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

Other current receivables

SEKm	2022	2021
<i>Other current receivables included in working capital</i>		
VAT receivables	196	180
Accrued income	129	50
Prepaid expenses	277	182
Receivables from authorities	131	58
Derivatives	475	197
Receivables from associated companies	0	48
Other receivables	204	176
Total other current receivables included in working capital	1,412	891
<i>Other current receivables</i>		
Receivables from electricity certificates	3	1
Total other current receivables not included in working capital	3	1
BS Total	1,415	892

D7. OTHER LIABILITIES

AP ACCOUNTING PRINCIPLES

Derivatives

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

Other liabilities

SEKm	2022	2021
Other non-current liabilities		
Derivatives	66	11
Other non-current liabilities	0	39
BS Total	66	50
Of which items that fall due for payment later than within five years	0	-
Other current liabilities		
<i>Other current liabilities included in working capital</i>		
Derivatives	483	349
TD7:1 Accrued expenses and prepaid income	964	1,036
Other operating liabilities	237	147
Total other current liabilities included in working capital	1,684	1,532
<i>Other current liabilities not included in working capital</i>		
TD7:1 Accrued expenses and prepaid income	184	110
Other operating liabilities	159	0
Total other current liabilities not included in working capital	343	110
BS Total	2,027	1,642

TD7:1 Accrued expenses and prepaid income

SEKm	2022	2021
<i>Accrued expenses and prepaid income included in working capital</i>		
Accrued social security costs	112	109
Accrued vacation pay liability	102	92
Other liabilities to personnel	188	188
Bonus and discounts to customers ¹⁾	61	81
Other items	501	566
Total accrued expenses and prepaid income included in working capital	964	1,036
<i>Accrued expenses and prepaid income not included in working capital</i>		
Emission allowances	184	110
Total accrued expenses and prepaid income not included in working capital	184	110
Total	1,148	1,146

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

GROUP

D8. OTHER PROVISIONS

AP ACCOUNTING PRINCIPLES

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

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

Other provisions

SEKm	Environ- ment	Discontinuation of publication paper	Other	Total
Value January 1	49	239	4	292
Provisions	41	-	7	48
Utilization	-24	-81	-7	-112
Reclassifications	-	-	-	0
Dissolutions	-	-72	-	-72
Translation differences	0	0	0	0
Value December 31	66	86	4	156
Provisions comprise:				
BS Long-term component				48
Short-term component included in working capital				49
Short-term component not included in working capital				59
BS Short-term component				108

Of the provisions for the period for environment, SEK 26m pertains to a liability for CO₂ emissions, which will be paid out in 2023. The remaining SEK 15m of provisions for the period concerning environment pertain to land remediation and restoration expenses. Remaining provisions concerning the environment from previous years largely relate to a liability for CO₂ emissions and provisions for future remediation commitments.

Provisions arising from the discontinuation of publication paper operations decreased by SEK 153m during the year, of which SEK -81m was mainly utilized in connection with personnel costs and decommissioning costs and SEK -72m pertains to the dissolutions relating to completed contracts and changed plans for decommissioning expenses in relation to non-current assets divested. The remaining funds of SEK 86m mainly concern personnel costs and the remaining decommissioning work.

Other provisions for the year largely pertain to the restoration of gravel quarries. Other provisions utilized in 2022 relate, for the most part, to the dissolution of the provisions for the closure of the wood processing plant in France. At the end of 2022, other provisions consists exclusively of the restoration of gravel quarries.

D9. TRADE PAYABLES

SEKm	2022	2021
<i>Trade payables included in working capital</i>		
Trade payables	3,404	3,141
Total trade payables included in working capital	3,404	3,141
<i>Trade payables excluded from working capital</i>		
Trade payables strategic capital expenditures	218	337
Total trade payables excluded from working capital	218	337
BS Total	3,622	3,478

SEK 1,753m (1,745) of the total trade payable was related to standing forest, referred to as standing forest timber for sale. The seller of standing forest timber for sale has the right to almost immediate payment once the timber is harvested, though a payment plan can be used to spread payments over a longer period.



E. CAPITAL STRUCTURE AND FINANCING

E1. FINANCIAL INSTRUMENTS BY CATEGORY AND MEASUREMENT LEVEL

AP ACCOUNTING PRINCIPLES

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

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

Financial assets are initially recognized at cost including transaction costs relating to the acquisition. Financial assets measured at fair value do not include transaction costs. Financial assets are recognized in the balance sheet until the rights in the agreement have been realized or the company no longer has the rights to the asset. Reviews are continually conducted using the expected loss model of financial assets measured at amortized cost to assess the need of credit loss provisions.

Financial liabilities are recognized at amortized cost, except for derivatives that are measured at fair value using hedge accounting, refer to Note E4. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments. For disclosures relating to interest-bearing loans and investments, current market interest rates are taken into account in fair value calculations, refer to Note E4. Financial liabilities are derecognized from the balance sheet when SCA has met its commitments.

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

Classification and subsequent recognition

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

Financial assets measured at fair value in the income statement

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

Financial liabilities measured at fair value in the income statement

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at amortized cost

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

Financial liabilities measured at amortized cost

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

Derivatives used for hedge accounting

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

Measurement levels

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

Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as currency forward contracts

or interest rate swaps. Fair value for currency options is determined using the Black-Scholes option pricing model.

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



GROUP

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2022	2021
Financial assets measured at fair value in the income statement				
Non-current financial assets	E2	2	72	60
Derivatives – Current financial assets	E2	2	5	0
Derivatives – Other current receivables	D6	2	102	171
Total			179	231
Financial liabilities measured at fair value in the income statement				
Derivatives – Current financial liabilities	E4	2	5	1
Derivatives – Other current liabilities	D7	2	143	220
Derivatives – Other non-current liabilities	D7	2	-	-
Total			148	221
Financial assets measured at fair value through other comprehensive income				
Equity instruments	E2	3	14	14
Total			14	14
Financial assets measured at amortized cost				
Prepaid financial expenses	E2	-	101	114
Trade receivables	E3	-	3,007	2,516
Cash and cash equivalents	E2	-	836	1,056
Total			3,944	3,686
Financial liabilities measured at amortized cost				
Non-current financial liabilities excluding leases	E4	-	10,312	8,584
Non-current financial liabilities leases	D4, E4	-	439	500
Current financial liabilities excluding leases	E4	-	1,635	918
Current financial liabilities leases	D4, E4	-	149	136
Trade payables	D9	-	3,622	3,478
Total			16,157	13,616
Derivatives used for hedge accounting				
Non-current financial assets	E2	2	80	6
Other non-current assets	-	2	175	0
Other current receivables	D6	2	373	26
Total			628	32
Other non-current liabilities	D7	2	66	11
Other current liabilities	D7	2	341	129
Total			407	140

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

Financial instruments in other notes to the balance sheet

SEKm	Note	2022		2021	
		Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets					
Financial assets, cash and cash equivalents	E2	1,108	85	1,250	6
Other non-current assets		175	-	0	-
Trade receivables	E3	3,007	-	2,516	-
Other current receivables	D6	475	475	197	197
Total		4,765	560	3,963	203
Liabilities					
Financial liabilities excluding leases	E4	11,952	5	9,503	1
Other non-current liabilities	D7	66	66	11	11
Lease liabilities	D4, E4	588	-	636	-
Trade payables	D9	3,622	-	3,478	-
Other current liabilities	D7	484	484	349	349
Total		16,712	555	13,977	361

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E2. FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

AP ACCOUNTING PRINCIPLES

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

Financial assets, cash and cash equivalents

SEKm	Carrying amount	
	2022	2021
Non-current financial assets		
TE2:1 Equity instruments	14	14
Derivatives	80	6
Capital investments, other	72	60
BS Total	166	80
Current financial assets		
Prepaid financial expenses	101	114
Derivatives	5	0
BS Total	106	114
Cash and cash equivalents		
Cash and bank balances	836	1,056
BS Total	836	1,056
Total financial assets, cash and cash equivalents	1,108	1,250

TE2:1 Equity instruments

SEKm	2022	2021
Value January 1	14	14
Revaluation taken to equity, net	-	-
Value December 31	14	14

Distribution of equity instruments

SEKm	2022	2021
Shares – Shore Link AB	3	3
Shares – Sundsvalls Hamn AB	4	4
Shares – Bioenergi i Luleå AB	3	3
Other	4	4
Total	14	14

E3. TRADE RECEIVABLES

AP ACCOUNTING PRINCIPLES

Trade receivables belong to the category of financial assets measured at amortized cost, since the purpose of the holding is to obtain contractual cash flows. Impairment of financial assets must be based on expected credit losses for the remaining term of the financial asset. In compliance with IFRS 9 Financial Instruments, SCA applies a simplified impairment model for trade receivables, whereby the expected credit loss is recognized for the estimated remaining lifetime of the receivable. In the past, SCA has not incurred significant customer losses and these losses have not exhibited significantly different loss patterns for various customers segments or economic cycles, which is why a matrix is used to measure expected customer losses. The provision for expected customer losses is based on an individual assessment of overdue trade receivables for each customer. The basis for the assessment of credit risk in the part of the customer portfolio that is not assessed individually is historical customer losses, based on average loss frequency. The average loss frequency is adjusted as necessary to take into account changes in credit risk. The total provision for expected customer losses, in addition to the trade receivable assessed individually, amounted to SEK -10m (-7) at the end of 2022. SCA has signed credit insurance in order to reduce its credit risk. The trade receivables covered by the credit insurance amount to 43% (34) of total trade receivables on December 31, 2022. Any impairment of trade receivables affects SCA's other operating expenses. Translation differences on trade receivables are recognized on the line other operating income and amount to SEK 68m (29). Translation differences include hedges in currency derivatives.

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

Trade receivables

SEKm	2022	2021
Trade receivables, gross	3,046	2,558
Provision to reserves for expected customer losses	-39	-42
BS TE3:1 Total	3,007	2,516

TE3:1 Analysis of credit risk exposure in trade receivables

SEKm	2022	2021
Trade receivables neither overdue nor impaired	2,681	2,158
Trade receivables overdue but not impaired		
<30 days	299	274
30-90 days	16	68
> 90 days	11	16
Total trade receivables overdue but not impaired	326	358
Total	3,007	2,516

SCA's customer structure is dispersed, with customers in many different areas of business. In 2022, SCA's ten largest customers accounted for 31% (32) of the Group's sales. More information is available in the section on credit risks on page 69.

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Provision for expected customer losses

SEKm	2022	2021
Value January 1	-42	-58
Individual provision for expected credit losses	-6	-3
Confirmed credit losses	11	17
Decrease due to reversal of provisions for expected credit losses	0	1
Translation differences	-1	1
Value December 31	-38	-42

The expense for the period for expected credit losses amounted to SEK 2m (2).

E4. FINANCIAL LIABILITIES

AP ACCOUNTING PRINCIPLES

The main principle for recognition of SCA's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method. Transaction costs are accrued over the term of the loan.

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

Financial liabilities

SEKm	2022	2021
Non-current financial liabilities		
Bond loans	4,000	4,000
Other non-current loans with maturities between 1 and 5 years	1,480	1,480
Lease liabilities with maturities between 1 and 5 years	229	291
Other non-current loans with maturities of more than 5 years	4,832	3,103
Lease liabilities with maturities of more than 5 years	210	209
BS Total	10,751	9,083
Current financial liabilities		
Amortization within one year	298	263
Derivatives	5	1
Loans with maturities of less than 1 year	1,311	646
Lease liabilities with maturities of less than 1 year	149	136
Accrued financial expenses	26	10
BS Total	1,789	1,056
Total financial liabilities	12,540	10,139
Fair value of financial liabilities ¹⁾	11,625	9,496

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

Borrowing

Bond loans and bilateral loans

SCA has a Medium Term Note (MTN) program with an amount of SEK 8,000m (8,000) for issuing bonds in the capital market. As of December 31, 2022, a nominal SEK 4,000m (4,000) was outstanding, of which green bonds accounted for SEK 1,500m (1,500). In addition to the bond loans, SCA has several long bilateral loans with strong and well-established banks at a nominal amount of SEK 7,921m (5,492). The average maturity of the loans was 3.8 (4.4) years.

Green bonds

SCA's green bonds were issued under the SCA Green Bond Framework, which complies with the Green Bond Principles. The framework was reviewed by the independent party Cicero Shades of Green and received the highest possible ranking (Dark Green). The framework regulates that borrowing under the framework is earmarked for green investments. The criteria for when an investment can be classified as green are specified by the framework. SCA will report back to bond holders about the green investments every year.

Issued

SEKm	Maturity, year	Carrying amount	Fair value
Bond – floating rate	2025	1,000	993
Bond – fixed rate	2025	300	272
Bond – fixed rate	2027	1,200	1,030
Bond – floating rate (Green)	2028	1,100	1,062
Bond – fixed rate (Green)	2028	400	335
Total		4,000	3,692

Bilateral loans

SEKm	Carrying amount	Fair value
Bilateral loans with maturities of less than 1 year	1,311	1,099
Bilateral loans with maturities between 1 and 5 years	1,480	1,698
Bilateral loans with maturities of more than 5 years	5,130	5,136
Total	7,921	7,933

Commercial paper program

SCA has a Swedish commercial paper program to the amount of SEK 5,000m (5,000), which can be utilized for short-term financing. At year-end, SEK 600m (-) was issued.

Program size

SEKm	Issued
Commercial paper SEK 5,000m	600
Total	600

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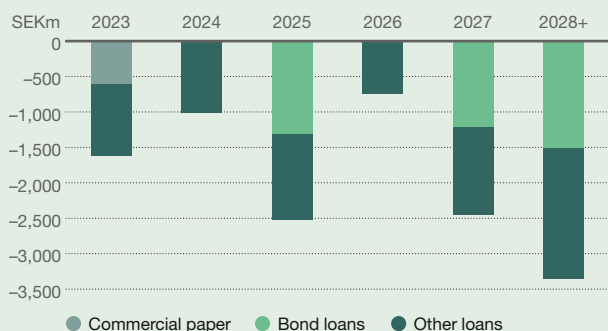
Credit facilities

Program size	Nominal SEKm	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm	Sustainability linked
Bilateral credit facility (EUR)	2,507	2023	2,507	1,938	569	
Bilateral credit facility (EUR)	3,340	2024	3,340	1,113	2,227	
Syndicated credit facility	5,000	2026	5,000		5,000	Yes
Total	10,847		10,847	3,051	7,796	

SCA has a syndicated bank facility of SEK 5,000m (5,000) to limit the refinancing risk and maintain a liquidity reserve. Additionally, SCA has a bilateral export credit facility based on the purchasing agreement for the paper machine in Obbola, of which SEK 569m (1,957) is unutilized, and a bilateral credit facility from the European Investment Bank, of which SEK 2,227m (3,070) is unutilized.

The syndicated facility was unutilized on December 31, 2022. SCA's existing credit facility with the bank group is linked to two of the Group's key sustainability targets related to climate benefit and nature conservation, read more about these targets on pages 141–143.

Maturity profile of gross debt



After additions for net pension provisions and deductions for cash and cash equivalents, interest-bearing receivables and capital investment shares, net debt amounted to SEK 9,989m (7,752) at December 31, 2022, refer to Note A2. For a description of the methods used by SCA to manage its refinancing risk, refer to page 69.

Changes in liabilities from financial activities

SEKm	OB 2022	CF Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2022
Current financial liabilities (excluding lease liabilities)	918	-81	798	-	-	1,635
Non-current financial liabilities (excluding lease liabilities)	8,584	2,516	-798	-	10	10,312
Lease liabilities	636	-183	-	48	87	588
Derivatives	1	-	-	4	-	5
Total liabilities from financing activities	10,139	2,252	-	52	97	12,540

SEKm	OB 2021	Cash flow	Reclassification from current to non-current liabilities	Revaluation	Other	CB 2021
Current financial liabilities (excluding lease liabilities)	1,185	-1,158	763	-	128	918
Non-current financial liabilities (excluding lease liabilities)	7,866	1,481	-763	-	-	8,584
Lease liabilities	751	-185	-	26	44	636
Derivatives	22	-	-	-21	-	1
Total liabilities from financing activities	9,824	138	0	5	172	10,139

GROUP

E5. LIQUIDITY RISK

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), and negative cash flows from gross settled derivatives. For a description of how SCA manages its liquidity risk, refer to page 69.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 5 years	More than 5 years
2022			
Loans including interest	2,053	4,766	6,660
Lease liability including interest	174	309	338
Energy derivatives	212	65	-
Trade payables	1,808	1,814	-
Total	4,247	6,954	6,998
Gross settled derivatives ¹⁾	10,509	239	-
2021			
Loans including interest	1,012	2,776	6,125
Lease liability including interest	160	376	289
Net settled derivatives	1	2	-
Energy derivatives	171	1	-
Trade payables	1,800	1,678	-
Total	3,144	4,833	6,414
Gross settled derivatives ¹⁾	7,988	348	-

¹⁾ The gross settled derivatives have, largely, corresponding positive cash flows and therefore in SCA's opinion do not constitute any real liquidity risk.

E6. DERIVATIVES AND HEDGE ACCOUNTING

AP ACCOUNTING PRINCIPLES

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. When using hedge accounting, the relationship between the hedge instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow. The ineffective portion is recognized directly in the income statement.

Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedging are recognized in equity under other comprehensive income and reversed to the income statement at the rate at which the hedged cash flow affects the income statement. If a hedge relationship is interrupted and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. For hedges of non-financial assets and liabilities, the result of the hedge is recognized at historical cost without a reclassification adjustment and therefore does not affect other comprehensive income. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to the income statement. Cash flow hedges relating to energy affect the energy costs, that is, cost of goods sold. Transaction exposure's cash flow hedges affect consolidated net sales and expenses. Cash flow hedges relating to interest expenses affect net financial items.

When option contracts are used to hedge currency flows, the Group designates only the intrinsic value of the options as the hedging instru-

ment. Gains or losses relating to the effective portion of the options are recognized within other comprehensive income in the hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognized within other comprehensive income in the costs of hedging reserve within equity.

Financial hedges

When SCA conducts financial hedges and the transactions do not meet requirements for hedge accounting according to IFRS 9 Financial Instruments. Changes in fair value of the hedging instrument are recognized directly in the income statement.

Outstanding derivatives

SEKm	Currency	Interest	Energy	Total
2022				
Nominal	10,959	1,807	210	12,976
Assets	113	80	542	735
Liability	277	-	277	554
2021				
Nominal	8,469	1,900	70	10,439
Assets	11	6	187	204
Liability	188	-	172	360

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2022¹⁾		
Gross amount	740	559
Offsettable amount	-5	-5
Net amount recognized in the balance sheet	735	554
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-489	-489
Net after offsetting in accordance with ISDA agreements	246	65
December 31, 2021¹⁾		
Gross amount	206	362
Offsettable amount	-2	-2
Net amount recognized in the balance sheet	204	360
ISDA agreements whose transactions are not offset in the balance sheet ²⁾	-186	-186
Net after offsetting in accordance with ISDA agreements	18	174

¹⁾ Outstanding derivatives gross without consideration of the right of set-off in accordance with ISDA agreements.

²⁾ ISDA entails framework agreements for financial transactions.

Balance sheet

SCA uses financial derivatives to manage risks in currency, interest rate and energy price. For a description of how SCA manages these risks, refer to the Board of Directors' Report. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2022. For more information relating to derivatives in the balance sheet, refer to Note E1.

Income statement

Hedges pertaining to transaction exposure had an impact of SEK -661m (177) on operating profit for the period. The net market value for these amounted to SEK -94m (-97) on the balance sheet date. Currency hedges decreased the cost of non-current assets by SEK -6m (66). The net market value for these amounted to SEK 5m (-40) on the balance sheet date. Interest rate derivatives impacted net interest items in an amount of SEK -80m (-8). The net market value for interest rate risk hedges amounted to SEK 2m (-6).

Energy derivatives had an impact of SEK 137m (33) on operating profit for the period. Energy derivatives had an outstanding market value of

GROUP

SEK 265m (15) on the balance sheet date. For further information relating to net financial items, refer to Note E7.

Sensitivity analysis

SCA has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2022 using assumptions on market movements that are regarded as reasonably possible in one year's time. If the Swedish krona is unilaterally weakened/strengthened by 5% against all currencies, outstanding financial hedges, trade payables and trade receivables would decrease/increase profit before tax by SEK 391m (318). Financial hedges with maturities of more than one year would increase/decrease equity by SEK 11m (12).

For forward cover relating to the cost of non-current assets, a 5% increase in the strength of the Swedish krona would entail a decrease

in equity of SEK 9m (13). Conversely, a weakening of the Swedish krona of 5% would entail an increase in equity of SEK 9m (13). For hedge options relating to the cost of non-current assets, a 5% increase in the strength of the Swedish krona would entail a decrease in equity of SEK 6m (17) and, conversely, a weakening of the Swedish krona of 5% would increase equity by SEK 7m (19).

If energy prices increase/decrease by 20%, outstanding financial hedges relating to electricity, everything else being equal, would decrease/increase energy costs for the period by SEK 46m (10). In addition to the earnings impact, equity would increase/decrease by SEK 40m (3). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

Outstanding derivatives with hedge accounting¹⁾

SEKm	Asset	Liability	Net	Tax	Hedge reserve after tax
2022					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	458	228	230	-47	183
Currency risk	89	178	-89	18	-71
Interest rate risk	80	-	80	-16	64
Total	627	406	221	-45	176
2021					
Derivatives with hedge accounting in hedge reserve					
Cash flow hedges:					
Energy risk	25	-1	24	-5	19
Currency risk	1	-139	-138	28	-110
Interest rate risk	6	-	6	-1	5
Total	32	-140	-108	22	-86

¹⁾ Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives on page 121.

The results from fair value hedges are recognized directly in the income statement.

Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mature mainly in 2023 and during the first quarter of 2024. With unchanged exchange rates, profit after tax will be affected in an amount of SEK -74m (-77). Currency derivatives relating to hedging of the cost of non-current assets have a maturity spread until 2024. With unchanged exchange rates, the cost of non-current assets will decrease by SEK -4m (32) after tax.

The derivatives intended to hedge energy costs in the Group mature during 2023 and 2024. With unchanged prices, the Group's profit after tax will be affected in an amount of SEK -182m (-19) after tax.

E7. FINANCIAL INCOME AND EXPENSES

Financial income and expenses¹⁾

SEKm	2022	2021
Results from shares and participations in other companies		
Dividend	0	-
Interest income and similar profit items		
Interest income, investments	22	9
Other financial income	43	34
IS Total financial income	65	43
Interest expenses and similar loss items		
Interest expenses, borrowing ²⁾	-2	-46
Interest expenses, derivatives	-42	-34
Interest expenses, leases	-24	-25
Other financial expenses	-36	-45
IS Total financial expenses	-104	-150
Total	-39	-107

¹⁾ Other financial income and expenses include an exchange difference of SEK 1m (1).
²⁾ Capitalized interest has reduced interest expenses by SEK 162m (57).

Sensitivity analysis

If interest rate levels had been 1 percentage point higher, with unchanged fixed-interest terms and net debt, interest expenses for the period would have been SEK 71m (44) higher. A sensitivity analysis has been performed on the risk to which SCA was exposed at December 31, 2022 using assumptions on market movements that are regarded as reasonable in one year's time. For a description of how SCA manages its interest rate risk, refer to page 69.

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E8. EQUITY

AP ACCOUNTING PRINCIPLES

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of SCA's own shares reduces retained earnings in equity in the Parent Company and the

portion of consolidated equity that pertains to owners of the Parent. When own shares are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent.

Equity totaled SEK 96,358m (83,055) at December 31, 2022. The following tables show the distribution and profit for the period.

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2022	2,350	6,830	23,161	50,714	83,055	-	83,055
IS Profit for the period recognized in the income statement	-	-	-	6,748	6,748	73	6,821
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change of value land assets	-	-	10,398	-	10,398	-	10,398
Revaluation of defined benefit pension plans ²⁾	-	-	-	394	394	-	394
Income tax attributable to components in other comprehensive income	-	-	-2,154	-81	-2,235	-	-2,235
Total	-	-	8,244	313	8,557	-	8,557
<i>Items that have been or may be reclassified subsequently to the income statement</i>							
<i>Cash flow hedges:</i>							
Result from revaluation of derivatives recognized in equity	-	-	-176	-	-176	-	-176
Transferred to the income statement for the period	-	-	523	-	523	-	523
Hedge cost	-	-	-13	-	-13	-	-13
Translation differences in foreign operations	-	-	177	-	177	-	177
Tax on items recognized directly in/transferred from equity ³⁾	-	-	-78	-	-78	-	-78
Other comprehensive income for the period, net after tax	-	-	8,677	313	8,990	-	8,990
OCI Comprehensive income for the period	-	-	8,677	7,061	15,738	73	15,811
Cash flow hedge, transferred to cost of hedged investments	-	-	-6	-	-6	-	-6
Tax on cash flow hedge, transferred to cost	-	-	1	-	1	-	1
Acquisition of non-controlling interests	-	-	-	-148	-148	-73	-221
Revaluation effect upon acquisition of non-controlling interests	-	-	-	0	0	-	0
Dividend ⁴⁾	-	-	-	-2,282	-2,282	-	-2,282
BS Value December 31, 2022	2,350	6,830	31,833	55,345	96,358	-	96,358

¹⁾ Revaluation reserve, hedge reserve, hedging cost and translation reserve are included in the reserves line in the balance sheet, see specification on page 125.

²⁾ Including special payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see page 125.

⁴⁾ Dividend of SEK 3.25 per share (regular dividend of SEK 2.25, extra dividend of SEK 1.00) pertains to owners of the Parent. For the 2022 fiscal year, the Board has decided to propose a dividend of SEK 2.50 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC13.



GROUP

SEKm	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Share capital	Other capital provided	Reserves ¹⁾	Retained earnings	Total		
Value January 1, 2021	2,350	6,830	17,320	45,663	72,163	-	72,163
IS Profit for the period recognized in the income statement	-	-	-	5,941	5,941	160	6,101
Other comprehensive income for the period							
<i>Items that cannot be transferred to profit for the period</i>							
Change of value land assets	-	-	7,479	-	7,479	-	7,479
Revaluation of defined benefit pension plans ²⁾	-	-	-	448	448	-	448
Income tax attributable to components in other comprehensive income	-	-	-1,539	-92	-1,631	-	-1,631
Total	-	-	5,940	356	6,296	-	6,296
<i>Items that have been or may be reclassified subsequently to the income statement</i>							
Cash flow hedges:							
Result from revaluation of derivatives recognized in equity	-	-	-8	-	-8	-	-8
Transferred to the income statement for the period	-	-	-202	-	-202	-	-202
Hedge cost	-	-	-21	-	-21	-	-21
Translation differences in foreign operations	-	-	32	-	32	-	32
Tax on items recognized directly in/transferred from equity ³⁾	-	-	48	-	48	-	48
Other comprehensive income for the period, net after tax	-	-	5,789	356	6,145	-	6,145
OCI Comprehensive income for the period	-	-	5,789	6,297	12,086	160	12,246
Cash flow hedge, transferred to cost of hedged investments	-	-	66	-	66	-	66
Tax on cash flow hedge, transferred to cost	-	-	-14	-	-14	-	-14
Acquisition of non-controlling interests	-	-	-	160	160	-160	-
Revaluation effect upon acquisition of non-controlling interests	-	-	-	-1	-1	-	-1
Dividend ⁴⁾	-	-	-	-1,405	-1,405	-	-1,405
BS Value December 31, 2021	2,350	6,830	23,161	50,714	83,055	-	83,055

¹⁾ Revaluation reserve, hedge reserve, hedging cost and translation reserve are included in the reserves line in the balance sheet, see specification on page 125.

²⁾ Including special payroll tax.

³⁾ For a specification of income tax attributable to components in other comprehensive income, see page 125.

⁴⁾ Dividend SEK 2.00 per share pertains to owners of the Parent for the 2020 fiscal year. For the 2021 fiscal year, the Board has decided to propose a dividend of SEK 3.25 per share to the Annual General Meeting.

For further information regarding equity, see Parent Company Note PC13.



GROUP

Equity, specification of reserves

SEKm	Revaluation reserve		Hedge reserve ¹⁾		Translation reserve	
	2022	2021	2022	2021	2022	2021
Value January 1	23,576	17,636	-85	46	-330	-362
Revaluation of land assets	10,398	7,479	-	-	-	-
Cash flow hedges:						
Result from revaluation of derivatives recognized in equity	-	-	-176	-8	-	-
Transferred to the income statement for the period	-	-	523	-202	-	-
Hedge cost	-	-	-13	-21	-	-
Translation differences in foreign operations	-	-	-	-	177	32
Tax on items recognized directly in/transferred from equity	-2,154	-1,539	-78	48	-	-
Other comprehensive income for the period, net after tax	8,244	5,940	256	-183	177	32
Cash flow hedge, transferred to cost of hedged investments	-	-	-6	66	-	-
Tax on cash flow hedge, transferred to cost	-	-	1	-14	-	-
Value December 31	31,820	23,576	166	-85	-153	-330

¹⁾ See also Note E6 for details of when profit or loss is expected to be recognized.

Specification of income tax attributable to other comprehensive income for the period

SEKm	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Revaluation of defined benefit pension plans	394	-81	313	448	-92	356
Cash flow hedges	347	-78	269	-210	48	-162
Hedge cost	-13	-	-13	-21	-	-21
Translation differences in foreign operations	177	-	177	32	-	32
Revaluation of land assets	10,398	-2,154	8,244	7,479	-1,539	5,940
Other comprehensive income for the period	11,303	-2,313	8,990	7,728	-1,583	6,145

At December 31, 2022, the debt/equity ratio amounted to 10% (9). Change in liabilities and equity is described on page 63 under Financial position. SCA aims to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt shall take into account the target to maintain a credit rating corresponding to investment grade rating. SCA has a credit rating for long-term debt of BBB from Standard & Poor's. SCA's financial risk management is described in the Risk and risk management section on page 69.

F. GROUP STRUCTURE

F1. SUBSIDIARIES

AP ACCOUNTING PRINCIPLES

Subsidiaries

The companies over which the SCA Group has a controlling influence are consolidated as subsidiaries. Controlling influence means that SCA has sufficient influence to control the activities of the subsidiary, has the right to its returns, has control over its exposure, and is able to impact the return of the company through its influence. Most of the Group's subsidiaries are wholly owned.

Gällö Timber AB is 50% owned by SCA and 50% owned by AB Persson Invest. SCA is considered to have a controlling influence over Gällö Timber AB, despite the fact that SCA does not have a majority of the votes in the company. SCA is deemed to have a controlling influence since it has control over activities with an impact on the Gällö Timber AB's return, and the SCA Group thus consolidates 100% percent of the company. Gällö Timber AB manages forest and sells solid-wood products. Sales amounted to SEK 1,382m (1,431). The company has paid a dividend totaling SEK 200m (60), of which 100 (30) to SCA. SCA is entitled under option contracts to purchase the

remaining shares in the company, whereby SCA has recognized an option liability in the balance sheet and does not recognize any non-controlling interest in equity. In 2022, a review was performed of the valuation of the option liability and the effects were recognized in equity.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the interest. In connection with acquisitions of less than 100%, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Subsequent acquisitions up to 100% and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as an equity transaction.

List of major subsidiaries

The Group's participations in major subsidiaries at December 31, 2022. The table below shows wholly owned subsidiaries and subsidiaries with significant interests and controlling influence, with external sales in excess of SEK 100m in 2022.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2022	Share of equity at December 31, 2021
SCA Massa AB	556093-6733	Sundsvall, Sweden	100	100
SCA Munksund AB	556237-4859	Piteå, Sweden	100	100
SCA Obbola AB	556147-1003	Umeå, Sweden	100	100
SCA Wood AB	556047-8512	Sundsvall, Sweden	100	100
SCA Wood Hong Kong Ltd	1134245	Hong Kong, China	100	100
SCA Wood Scandinavia AB	556302-0667	Sundsvall, Sweden	100	100
SCA Products (UK) Ltd	1549728	Essex, United Kingdom	100	100
Gällö Timber AB	556801-1786	Bräcke, Sweden	50	50

SCA Logistics GmbH, Germany, is included in SCA's consolidated financial accounts and uses the simplifications in Section 264 (3) HGB (Handelsgesetzbuch).

F2. ASSOCIATED COMPANIES AND JOINT VENTURES

AP ACCOUNTING PRINCIPLES

Accounting for associated companies and joint ventures is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for subsidiaries and is recognized including any goodwill and other Group adjustments.

The Group's share of profit after tax arising in associated companies and joint ventures after the acquisition is recognized on the line "Result from participations in associated companies and joint ventures" in the consolidated income statement. Share in profits is calculated on the basis of SCA's share of equity in the respective company.

Associated companies

Associated companies are companies in which the Group exercises a significant influence without the partly owned company being a subsidiary. Normally, this means that the Group owns between 20 and 50% of the votes.

Joint ventures

Joint ventures are companies in which SCA, together with other parties through an agreement, has shared control over operations. A joint venture entitles the joint owners to the net assets of the investment.



GROUP

Shares in associated companies and joint ventures

SEKm	Associated companies		Joint ventures	
	2022	2021	2022	2021
Value January 1	428	378	-	-
Investments	2	-	730	-
Divestments	-	-1	-	-
Reclassification	-	-	18	-
IS Net change	-18	71	-5	-
Dividends received	-56	-8	-	-
Translation differences	7	-12	-	-
BS Value December 31	363	428	743	-

Company name	Corp. Reg. No.	Domicile	Share of equity, %		Carrying amount, SEKm	
			2022	2021	2022	2021
Associated companies						
Florencia S.A.S.	809,910,177	Rennes, France	38.5	38.5	336	408
Other					27	20
BS Total					363	428
Joint ventures						
Biorefinery Östrand AB ¹⁾	559111-7956	Sundsvall, Sweden	50	-	84	-
Scastone AB	559337-8788	Sundbyberg, Sweden	50	-	659	-
BS Total					743	-

¹⁾ The company was a subsidiary in 2021.



F3. CORPORATE ACQUISITIONS AND DIVESTMENTS

AP ACCOUNTING PRINCIPLES

Acquisition of subsidiaries

SCA applies IFRS 3 Business Combinations in connection with acquisitions. A corporate acquisition can be classified as a business combination or an asset acquisition. If the acquired assets are not part of a business, the transaction is recognized as an asset acquisition. A corporate acquisition with the primary purpose of acquiring the company's properties and where any of the company's management organization and administration are of secondary importance for the acquisition, is classified as an asset acquisition. For an asset acquisition, no deferred tax is recognized attributable to the acquisition.

In business combinations, acquired assets and assumed liabilities are identified and classified at fair value on the date of acquisition (also known as an acquisition analysis). The date of acquisition is set at when controlling influence is obtained over the acquired company. The acquisition analysis also includes the identification of whether there are any assets that are intangible in nature, such as trademarks, patents, customer contracts or similar assets that were not recognized in the acquired unit. If the cost is higher than the net value of the acquired assets, assumed liabilities and identified intangible assets, the difference is recognized as goodwill. Any surplus value on tangible fixed assets is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer contracts are amortized over their estimated useful lives.

If the transferred consideration is contingent on future events, it is measured at fair value. Any change in value is recognized in profit or loss for the period.

Transaction costs in conjunction with business combinations are not included in cost, but rather expensed directly.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

Non-controlling interests

Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value. This means that goodwill is also recognized on non-controlling interests (full goodwill).

In step acquisitions in which a controlling influence is achieved, any net assets acquired earlier in the acquired units are revaluated at fair value and the result of the revaluation is recognized in the income statement. If the controlling influence is lost upon the divestment of an operation, the result is recognized in the income statement.

The portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the revaluation effect recognized in the income statement.

Acquisitions in which a controlling influence is achieved are recognized as an equity transaction, meaning a transfer between equity attributable to owners of the Parent and non-controlling interests. The same applies for divestments that take place without the loss of a controlling influence.

Acquisitions

In 2022, approximately 8,000 hectares of forest land was acquired in the Baltic region through four transactions for a purchase consideration of about SEK 550m on a debt-free basis. The corresponding figure for 2021 was SEK 14m, relating to approximately 520 hectares of forest land in Latvia.

In 2022, Skogberget Vind AB, was acquired for approximately SEK 800m. Skogberget Vind AB primarily has assets associated with wind farm operations in Markbygden, Piteå Municipality.

All of the acquisitions were recognized as asset acquisitions.

Divestments

In 2022, 50% of the shares in Biorefinery Östrand AB were divested. No companies were divested in 2021.



G. OTHER

G1. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

AP ACCOUNTING PRINCIPLES

Non-current assets held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassifica-

tion. The gain is limited to the amount equivalent to previously made impairment charges. Gains and losses recognized on remeasurement and divestment are recognized in the income statement.

Similar to 2021, there were no non-current assets held for sale in 2022.

G2. CONTINGENT LIABILITIES, PLEDGED ASSETS AND COMMITMENTS

AP ACCOUNTING PRINCIPLES

A contingent liability is recognized when there is a potential or actual obligation arising from events that have occurred that is not recognized as a liability or provision, either because it is improbable that an outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

Contingent liabilities

SEKm	2022	2021
Guarantees for:		
associated companies	5	5
customers and others	28	28
Other contingent liabilities	19	15
Total	52	48

In 2007, SCA entered into a sale and leaseback transaction with a European bank relating to the soda recovery boiler at the kraftliner plant in Obbola, Sweden. The term of the contract is 25 years and SCA has a right to terminate the transaction in 2023 without any financial consequences. SCA has all risks and rewards associated with ownership both before and after completion and therefore recognizes the soda recovery boiler as a non-current asset on the balance sheet date. Upon completion, the outstanding contingent liabilities will be offset against rental payment commitments.

Pledged assets

Liabilities for which assets were pledged as collateral amounted to SEK 11m (-). SCA holds no chattel mortgages.

Commitments

SCA has a decided investment in Obbola totaling SEK 7,500m over a five-year period. As of December 31, 2022, SEK 717m remained, of which SEK 411m was a contracted commitment. The commitment in its entirety refers to non-current assets.

Pledged guarantees

As of December 31, 2022, SCA's pledged guarantees pertaining to forestry machines to subcontractors amounted to SEK 329m (328). In SCA's opinion, the pledged guarantees pose an insignificant risk and the value has therefore not been recognized as a contingent liability.

G3. TRANSACTIONS WITH RELATED PARTIES

To the extent that transactions with related parties took place, these were based on generally accepted commercial terms and conditions and pricing in the industry, and were entered into on standard commercial conditions.

For information regarding salaries and other remuneration, costs and obligations for pensions and similar benefits for the Board of Directors, President and CEO and other senior executives, refer to Notes C3–C5.

Otherwise, no transactions took place between SCA and related parties.

G4. EVENTS AFTER THE END OF THE REPORTING PERIOD

As of January 1, 2023, Renewable Energy is a new reporting segment. The decision is in line with SCA's expressed ambition to expand and realize business opportunities in the field of energy. The Renewable Energy segment will encompass production and sales of processed and unprocessed biofuels as well as liquid biofuels. The segment also includes development and revenue linked to the wind power operations and sales of green products from industrial operations for energy production.



PARENT COMPANY

Parent Company income statement **PIS**

SEKm	Note	2022	2021
Operating income			
Other operating income		292	291
Total income		292	291
Operating expenses			
Other operating expenses	PC1	-186	-188
Personnel costs	PC2	-119	-122
Depreciation		-94	-91
Total operating expenses		-399	-401
Operating loss		-107	-110
Financial items			
Interest income and similar profit items	PC11	306	207
Interest expenses and similar loss items		-130	-117
Total financial items		176	90
Profit/loss after financial items		69	-20
Appropriations	PC5	3,482	3,238
Profit before tax		3,551	3,218
Income tax	PC6	-734	-664
Profit for the year		2,817	2,554

Parent Company statement of comprehensive income **POCI**

SEKm	2022	2021
Profit for the year	2,817	2,554
Other comprehensive income	-	-
Total comprehensive income	2,817	2,554



PARENT COMPANY

Parent Company statement of change in equity **PEQ**

SEKm	Share capital ¹⁾	Revaluation reserve	Statutory reserve	Retained earnings and profit for the period	Total equity
Value January 1, 2022	2,350	1,740	7,283	10,131	21,504
Dividend, SEK 3.25 per share	-	-	-	-2,282	-2,282
Profit for the year	-	-	-	2,817	2,817
Value December 31, 2022	2,350	1,740	7,283	10,666	22,039
Value January 1, 2021	2,350	1,740	7,283	8,981	20,354
Dividend, SEK 2.00 per share	-	-	-	-1,404	-1,404
Profit for the year	-	-	-	2,554	2,554
Value December 31, 2021	2,350	1,740	7,283	10,131	21,504

¹⁾ Refer also to Note PC13.



PARENT COMPANY

Parent Company balance sheet **PBS**

SEKm	Note	2022	2021
ASSETS			
Non-current assets			
Land and buildings	PC7	9,072	8,857
Tangible fixed assets		9,072	8,857
Participations in Group companies	PC8	9,604	9,604
Receivables from subsidiaries		2,057	11
Other long-term receivables		301	36
Financial fixed assets		11,962	9,651
Total non-current assets		21,034	18,508
Current assets			
Receivables from subsidiaries	PC9	16,285	14,679
Current tax assets	PC6	0	0
Other current receivables	PC10	614	339
Cash and bank balances	PC11	322	602
Total current assets		17,221	15,620
Total assets		38,255	34,128
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	PC13	2,350	2,350
Revaluation reserve		1,740	1,740
Statutory reserve		7,283	7,283
Total restricted equity		11,373	11,373
Retained earnings		7,849	7,577
Profit for the year		2,817	2,554
Total non-restricted equity		10,666	10,131
Total equity		22,039	21,504
Provisions			
Provisions for pensions	PC4	76	59
Provisions for taxes	PC6	1,634	1,586
Total provisions		1,710	1,645
Non-current liabilities			
Non-current interest-bearing liabilities	PC11	10,312	8,582
Other non-current liabilities		241	12
Total non-current liabilities		10,553	8,594
Current liabilities			
Current interest-bearing liabilities	PC11	1,395	764
Liabilities to subsidiaries	PC9	1,857	1,033
Trade payables		1	1
Current tax liabilities	PC6	124	171
Other current liabilities	PC12	576	416
Total current liabilities		3,953	2,385
Total equity, provisions and liabilities		38,255	34,128

Parent Company cash flow statement **PCF**

SEKm	Note	2022	2021
Operating activities			
Profit after financial items		69	-20
TPC:1 Adjustment for non-cash items		-22	50
		47	30
Paid tax	PC6	-733	-462
Cash flow from operating activities before changes in working capital		-686	-432
Change in operating receivables		-1,880	-1,816
Change in operating liabilities		1,212	-210
Cash flow from operating activities		-1,354	-2,458
Investing activities			
Acquisition of fixed assets	PC7	-324	-234
Acquisition of financial assets		-2,312	-
Divestment of financial assets		0	39
Divestment of tangible fixed assets		148	58
Cash flow from investing activities		-2,488	-137
Financing activities			
Loans raised		3,125	1,500
Amortization of debt		-763	-1,200
Dividend		-2,282	-1,404
Group contributions	PC5	3,482	3,238
Cash flow from financing activities		3,562	2,134
Cash flow for the period		-280	-461
Cash and cash equivalents, January 1		602	1,063
Cash and cash equivalents, December 31		322	602

TPC:1 Adjustment for non-cash items

SEKm	2022	2021
Depreciation of fixed assets	95	91
Capital gain on divestment of fixed assets	-133	-49
Unrealized exchange rate effects/changes in value of receivables and financial assets	0	-22
Change in provisions	17	34
Other items	-1	-4
Total	-22	50

Supplementary disclosures to cash flow

SEKm	2022	2021
Interest paid and received		
Interest paid	-177	-97
Interest received	306	207
Total	129	110

PC. PARENT COMPANY NOTES

PC1. OTHER OPERATING EXPENSES

Auditing expenses

SEKm	2022	2021
EY		
Audit assignments	-4	-4
Auditing activities other than the audit assignment	-1	-
Total	-5	-4

PC2. PERSONNEL AND BOARD COSTS

Personnel and Board costs

SEKm	2022	2021
Salaries and remuneration	-78	-76
<i>of which Executive Management</i>	-69	-68
<i>of which Board</i>	-9	-8
Pension costs ¹⁾	-13	-15
Other social security costs	-27	-29
Other personnel costs	-1	-2
Total	-119	-122

¹⁾ The Parent Company's pension costs pertain entirely to the President and CEO and other senior executives. Pension costs for 2022 are SEK 1m lower than stated in Note C3 due to an decrease in the value of the current pension liability to the President and CEO and other senior executives. The corresponding amount for 2021 is SEK 2m higher than stated in Note C3 due to an increase in the value of the current pension liability.

PC3. PERSONNEL DATA

Average number of employees

	2022	2021
Average number of employees	12	12
<i>of whom men</i>	9	9
<i>of whom women</i>	3	3

PC4. PROVISIONS FOR PENSIONS

AP ACCOUNTING PRINCIPLES

The Parent Company's provisions for pensions are secured by the Pension Obligations Vesting Act (Tryggandelagen) and through capital insurance policies. The main difference between the rules of the Pension Obligations Vesting Act and IAS 19 Employee Benefits in respect of pensions is that Swedish practice disregards future increases in salaries and pensions when calculating the present value of the pension obligation. Both defined contribution and defined benefit plans exist in the Parent Company.

Capital value of pension obligations relating to self-administered pension plans

SEKm	2022	2021
Provisions in accordance with the Pension Obligations Vesting Act	32	33
Provisions outside the Pension Obligations Vesting Act's regulations ¹⁾	44	26
PBS Total	76	59

¹⁾ As of 2021, a provision for pension tax linked to the direct pension liability is also recognized as a provision for pensions.

Of the total pension liability on the balance sheet date of SEK 76m, SEK 44m (26) is a direct pension liability, including payroll tax, secured through capital insurance policies. The direct pension liability is not secured in accordance with the Pension Obligations Vesting Act. The capital insurance policies are reported as other long-term receivables in the balance sheet. For the remainder of the pension liability, external actuaries have carried out capital value calculations pursuant to the provisions of the Pension Obligations Vesting Act. The discount rate is 4.08% (1.54).

The company's outstanding pension obligations as per the balance sheet on December 31, 2022 relate to the President and CEO and other senior executives.

For further information on the Parent Company's pension plans, see Note C3.

PC5. APPROPRIATIONS

AP ACCOUNTING PRINCIPLES

For Group contributions, the Parent Company applies the alternative rule of RFR 2 Reporting by Legal Entities and recognizes Group contributions paid and received, net, as appropriations.

Appropriations

SEKm	2022	2021
Group contributions received from subsidiaries	4,596	3,796
Group contributions paid to subsidiaries	-1,114	-558
PIS Total	3,482	3,238

PARENT COMPANY

PC6. TAXES

AP ACCOUNTING PRINCIPLES

Tax pooling in the Group is carried out via Group contributions paid and received. For Group contributions, the Parent Company applies the alternative rule of RFR 2 and recognizes Group contributions paid and received, net, as appropriations.

The Parent Company recognizes the majority of the Group's Swedish taxes. The **TPC6:1** table calculates the expected tax expense based on profit before tax multiplied by the current tax rate.

Tax expense (+), tax income (-)

SEKm	2022	2021
TPC6:2 Deferred tax	48	26
Current tax	686	638
PIS Total	734	664

TPC6:1 Explanation of tax expense

Reconciliation	2022		2021	
	SEKm	%	SEKm	%
PIS Profit before tax	3,551		3,218	
PIS Tax expense/income	686	19.3	638	19.8
Expected tax	732	20.6	663	20.6
Difference	-46	-1.3	-25	-0.8
The difference is due to:				
Taxes related to prior periods	-	-	-	-
Other items	-46	-1.3	-25	-0.8
Total	-46	-1.3	-25	-0.8

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

SEKm	2022	2021
Value January 1	171	-5
Current tax expense	686	638
Paid tax	-733	-462
PBS Value December 31	124	171

TPC6:2 Deferred tax expense (+), tax income (-)

SEKm	2022	2021
Changes in temporary differences	48	26
Total	48	26

Provisions for taxes

SEKm	Value January 1	Deferred tax expense	Value December 31
Land and buildings	1,597	35	1,632
Provisions for pensions ¹⁾	-12	-4	-16
Other	1	17	18
PBS Total	1,586	48	1,634

¹⁾ As of 2021, a provision for pension tax linked to the direct pension liability is recognized as a provision for pensions.

PC7. TANGIBLE FIXED ASSETS

AP ACCOUNTING PRINCIPLES

The Parent Company's tangible fixed assets are recognized in accordance with the Group's accounting principles. However, the Parent Company recognizes standing timber as a tangible fixed asset at historical cost. No systematic depreciation or changes in value in conjunction with felling is carried out in the Parent Company. Collective revaluation of forest assets has occurred. The revaluation amount was placed in the revaluation reserve in equity.

In the consolidated accounts, forest assets are recognized at fair value and are divided into standing timber and land assets. Standing timber is recognized as a biological asset according to IAS 41 Agriculture, and land assets attributable to forest assets are recognized as tangible fixed assets at fair value according to paragraph 31 in IAS 16 Property, plant and equipment. For further information, refer to Note D2.

Tangible fixed assets

SEKm	Buildings		Land and land improvements ¹⁾		Machinery and equipment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost	178	178	5,066	4,741	1	3	5,245	4,922
Accumulated depreciation	-134	-129	-1,450	-1,360	-1	-3	-1,585	-1,492
Accumulated write-ups		-	5,412	5,427	-	-	5,412	5,427
Residual value according to plan	44	49	9,028	8,808	-	-	9,072	8,857
Value January 1	49	50	8,808	8,673	-	-	8,857	8,723
Investments	-	5	324	229	-	-	324	234
Disposals	0	-	-15	-9	-	-	-15	-9
Depreciation for the period	-5	-6	-89	-85	-	-	-94	-91
PBS Value December 31	44	49	9,028	8,808	-	-	9,072	8,857

¹⁾ Land and land improvements include the carrying amount of SEK 8,016m (7,827) for forest assets.

PARENT COMPANY

PC8. PARTICIPATIONS IN GROUP COMPANIES

AP ACCOUNTING PRINCIPLES

The Parent Company recognizes all holdings in Group companies at cost after deduction for any accumulated impairment losses. An assessment is carried out on an annual basis to determine if any impairment is needed in the item Participations in Group companies. The need for impairment is determined individually and impairment is effected if the value decrease is considered permanent. Impairment is recognized in the item result from participations in Group companies.

Impairment testing

Testing means the carrying amount of shares in subsidiaries is compared with consolidated equity. The annual impairment testing of the carrying amount of shares in subsidiaries has not resulted in any impairment.

Participations in Group companies

SEKm	2022	2021
Accumulated cost	9,604	9,604
Carrying amount	9,604	9,604
Value January 1	9,604	9,604
Investments	-	-
PBS TPC8:1 Value December 31	9,604	9,604

TPC8:1 Parent Company's holdings of shares in subsidiaries, December 31, 2022

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries					
SCA Graphic Holding AB	556479-2058	Sundsvall, Sweden	1,000	100	9,604
SCA Skogsfastigheter AB	556207-6256	Sundsvall, Sweden	1,000	100	0
SCA Kraftfastigheter AB	556449-7237	Sundsvall, Sweden	1,000	100	0
Total carrying amount of subsidiaries					9,604

PC9. RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

Receivables from and liabilities to subsidiaries

SEKm	2022	2021
Current assets		
Interest-bearing receivables	11,183	10,504
Other receivables	5,102	4,175
PBS Total	16,285	14,679
Current liabilities		
Interest-bearing liabilities	249	244
Other liabilities	1,608	789
PBS Total	1,857	1,033

PC10. OTHER CURRENT RECEIVABLES

Other current receivables

SEKm	2022	2021
TPC10:1 Prepaid expenses and accrued income	105	118
Other receivables	509	221
PBS Total	614	339
TPC10:1 Prepaid expenses and accrued income		
SEKm	2022	2021
Prepaid financial expenses	103	116
Other items	2	2
Total	105	118



PARENT COMPANY

PC11. FINANCIAL INSTRUMENTS

AP ACCOUNTING PRINCIPLES

Financial assets and liabilities are recognized at amortized cost, with the exception of derivatives, which are measured at fair value.

The accounting principles for financial instruments in the Parent Company are in accordance with the Group's accounting principles except that hedge accounting is not applied, see Note E1. Financial instruments are classified in accordance with IFRS 9 Financial Instruments. For definitions, see Note E1.

Financial items

SEKm	2022	2021
Interest income and similar profit items		
Interest income, subsidiaries	301	207
Interest income, external	5	-
Interest expenses and similar loss items		
Interest expenses, external	-84	-72
Interest expenses, subsidiaries	-19	-
Other financial expenses ¹⁾	-27	-45
PBS Total	176	90

¹⁾ The item includes exchange rate differences amounting net to SEK 2m (0).

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2022	2021	2022	2021
Loans with maturities >1 year <5 years	3,682	3,708	3,481	3,720
Loans with maturities >5 years	6,630	4,874	6,533	4,866
PBS Total	10,312	8,582	10,014	8,586

Current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2022	2021	2022	2021
Loans with maturities <1 year	1,395	764	1,397	765
PBS Total	1,395	764	1,397	765

For further information about borrowing activities during the year, refer to Note E4.

Financial instruments by category

Financial assets measured at amortized cost

SEKm	2022	2021
Assets		
Financial fixed assets		
Receivables from subsidiaries	1,990	-
Interest-bearing receivables	47	30
Current assets		
Receivables from subsidiaries	11,183	10,504
Other current receivables		0
PBS Cash and cash equivalents	322	602
Total	13,542	11,136

Financial liabilities measured at amortized cost

SEKm	2022	2021
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	10,312	8,582
Current liabilities		
Interest-bearing liabilities	1,395	764
Liabilities to subsidiaries	249	244
Trade payables	1	1
Other current liabilities	26	10
Total	11,983	9,601

Financial assets measured at fair value in the income statement

SEKm	2022	2021
Derivatives – Non-current financial assets	80	-
Derivatives – Current financial assets	5	-
Derivatives – Other long-term receivables	241	18
Derivatives – Other current receivables	963	546
Total	1,289	564

Financial liabilities measured at fair value in the income statement

SEKm	2022	2021
Derivatives – Other non-current liabilities	241	12
Derivatives – Other current liabilities	964	547
Total	1,205	559

PC12. OTHER CURRENT LIABILITIES

Other current liabilities

SEKm	2022	2021
TPC12:1 Accrued expenses and prepaid income	83	62
Other operating liabilities	493	354
PBS Total	576	416

TPC12:1 Accrued expenses and prepaid income

SEKm	2022	2021
Accrued interest expenses	25	10
Accrued social security costs	14	12
Accrued vacation pay liability	3	2
Other liabilities to personnel	32	30
Other items	9	8
Total	83	62



PARENT COMPANY

PC13. SHARE CAPITAL

The change in equity is shown in the Parent Company statement of change in equity. The share capital and number of shares have changed since 1993 on account of new issues, new subscription, conversions, splits, and the cancellation of own shares as set out below:

Year	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1993	Number of shares January 1, 1993	172,303,839		
1993	Conversion of debentures and new subscription through Series 1 warrants	4,030,286	40.3	119.1
	New issue 1:10, issue price SEK 80	17,633,412	176.3	1,410.7
1994	Conversion of debentures	16,285	0.2	-
1995	Conversion of debentures	3,416,113	34.2	-
1999	New issue 1:6, issue price SEK 140	32,899,989	329.0	4,579.0
2000	Conversion of debentures	101,631	1.0	15.0
2001	New issue, private placement	1,800,000	18.0	18.0
2002	New subscription through IIB warrants	513	-	0.1
2003	Conversion of debentures	1,127,792	11.3	288.4
	New subscription through IIB warrants	1,697,683	17.0	434.5
2004	Conversion of debentures	9,155	0.1	1.1
2007	Split 3:1	470,073,396	-	-
2017	Cancellation of own shares	-2,767,605	-	-
2022	Number of shares, December 31, 2022	702,342,489		

SCA's share capital, December 31, 2022

	No. of votes per share	No. of shares	Share capital, SEKm
Class A shares	10	64,581,994	216
Class B shares	1	637,760,495	2,134
Total		702,342,489	2,350

The quotient value of the Parent Company's shares amounts to SEK 3.35. At the request of shareholders, 5,000 Class A shares were converted to Class B shares in 2022.

PC14. CONTINGENT LIABILITIES, PLEDGED ASSETS AND GUARANTEES

Contingent liabilities

SEKm	2022	2021
Guarantees for subsidiaries	711	754
Other contingent liabilities	1	1
Total	712	755

Pledged assets

SEKm	2022	2021
Pledged assets for subsidiaries	11	-
Total	11	-

Pledged guarantees

As of December 31, 2022, SCA's pledged guarantees pertaining to forestry machines to subcontractors amounted to SEK 329m (328). In SCA's opinion, the pledged guarantees pose an insignificant risk and the value has therefore not been recognized as a contingent liability.

PC15. PROPOSED DISPOSITION OF EARNINGS

Annual accounts 2022

Disposition of earnings, Parent Company (SEK)

Non-restricted equity in the Parent Company:	
Retained earnings	7,848,333,774
Repayment of previous dividend	363,443
Profit for the period	2,817,323,074
Total	10,666,020,291

The Board of Directors and the President and CEO propose:

- to be distributed to shareholders, a dividend of SEK 2.50 per share	1,755,856,223
- to be carried forward	8,910,164,068
Total	10,666,020,291

The annual accounts are subject to adoption by SCA's Annual General Meeting and will be presented for approval at the Annual General Meeting on March 30, 2023.



Sustainability facts

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VALUE CREATION

SCA's sustainability work is integrated into the Group's operations and business decisions. SCA's 2022 Sustainability Report is an integrated part of the combined Annual Report.

Value creation

SCA has a long-term perspective in its operations and sustainability is an integrated part of the company and its business model. SCA's efforts to ensure sustainable development encompasses social, economic and environmental goals, which are integrated into the company's work and business development. The Group's work is summarized in SCA's sustainability platform, which covers the company's operations as a whole. Read more on page 49.

Value-based culture is the starting point for SCA and indicates how the company interacts with its stakeholders, does business and conducts its overall operations. Profitable growth is the foundation of SCA's strategy and part of sustainable development. Long-term economic returns are an integrated part of SCA's sustainability platform together with the other components: Fossil-free world, Valuable forests, Efficient use of resources and Sustainable development. Through these six components, SCA makes a direct or indirect contribution to all 17 of the United Nations Sustainable Development Goals.

Value creation in and from the forest

Examples include:

- Climate benefit from growing forests that capture and store CO₂ and products that replace fossil alternatives
- Renewable products and renewable energy that enable a circular society
- Shareholder value for SCA's shareholders
- Value of forest land through a stable wood supply to SCA's industries
- Job opportunities in the company's operations and business opportunities for suppliers of goods and services
- Recreation and outdoor activities in the company's forests
- Viable local communities and regional development through the company's presence and operations

Economic value creation 2022

SCA is an important source of prosperity and welfare. The company's operations generate economic value for shareholders, employees, suppliers, investors and society. A large portion of payments to suppliers are made to SCA's local area in northern Sweden. This is particularly the case for purchasing wood raw material and contractors' services.



SCA has generated value of SEK 24,013m (21,495) through transactions with customers and further processing of forest raw materials. Of this amount, SEK 19,370m (15,971) was returned to society through the purchase of other raw materials, which includes payments to external forest owners, and payments to suppliers and contractors to maintain operations in forest and industrial activities as well as investments in future value creation. SEK 2,627m (2,603) was paid as remuneration to the company's employees, of which 98% (96) pertains to employees in Sweden, and a significant share of this figure was received by municipalities and the state, through the payment of social security costs, payment by employees of municipal and state income taxes, and through the consumption of products and services. The company paid SEK 859m (538) in tax, of which 96% (99) in Sweden. SEK 2,282m (1,405) was distributed to shareholders, where 55% (57) of the capital is owned by Swedish shareholders.



STRATEGIC PRIORITIES AND GROUP TARGETS

SCA's Group targets 2030 – Sustainability targets

In 2022, SCA conducted a review of the sustainability platform launched in 2019 and the Group targets set out in 2020. Sustainability is integrated into SCA's operations and the review was a natural part of the ongoing development of the sustainability platform's relevance and effectiveness in the company's pursuit of sustainable development. The review was based on an analysis of market trends, the UN's 17 Sustainable Development Goals, stakeholder expectations and the company's strategic priorities.

The revised sustainability platform further strengthens efforts with the company's value-based culture, clarifies SCA's role in sustainable development and sets new supporting targets for biodiversity, water and waste.

In addition to this review, activities continued in 2022 to fulfill the strategic objectives.



Value-based culture

Target: An accident-free and healthy SCA where all employees comply with SCA's Code of Conduct.

How: No workplace accidents resulting in absence. All employees receive training in the Code of Conduct. Purchasing from suppliers who share SCA's values, where 99% of contract suppliers have approved SCA's Supplier Standard. Leaders who can address future needs and employees who grow and develop.



Profitable growth

Target: Leading total shareholder return including dividends.

How: Leading performance, stable and increasing dividend to shareholders, good financial positions with investment grade credit rating.



Fossil-free world

Target: Increase SCA's climate benefit from 10 to 15 million tonnes of CO₂.

How: Net uptake of CO₂ in SCA's own forests. A fossil-free value chain with a first target to reduce fossil emissions by 50% by 2030. Increase the availability of renewable products through volume growth and innovations that offer greater climate benefits. Increase wind power production on SCA's land to 11 TWh.



Valuable forests

Target: 100% of wood raw material shall come from responsibly managed forests.

How: 100% Chain of Custody (CoC) certified wood raw material, with a minimum requirement of FSC Controlled Wood. 75% of wood raw material is from certified forests or sourced raw materials that are harvested by SCA using SCA retention methods. SCA's own forest management shall be certified by FSC and PEFC. Actively managing for habitats of special importance for SCA's species commitment.



Efficient use of resources

Target: Zero waste, meaning nothing goes to waste.

How: High raw material yield in every process to ensure the entire tree is used. Improve energy efficiency through efficiency enhancements of at least 35 GWh per year (ESAVE program 2020–2025). Reduced negative impact on water and air. Increased recycling and reuse of waste.



Sustainable development

Target: SCA contributes to sustainable development in the communities in which we operate

How: Contribute toward viable local communities. Support civil society in sport, culture and other areas. Enabling and promoting value creation in and from the forest. Work together with external stakeholders in areas defined in our sustainability platform.

Read more about SCA's sustainability platform in the Strategy and operations section on page 49.

STRATEGIC PRIORITIES AND GROUP TARGETS

Strategic priorities and sustainability targets

The areas of strategic priority each correspond to a component in SCA's sustainability platform, see the Strategy and operations section on page 49. SCA's materiality analysis is presented on page 146.

Strategic priorities	Value-based culture	Profitable growth	Fossil-free world
Why material	SCA's core values are responsibility, respect and excellence. These core values are described in SCA's Code of Conduct, which all employees are to comply with. They permeate the company's business relationships and interaction with stakeholders. Employees are the company's most important resource. SCA secures the future need of expertise by developing employees and being an inclusive and attractive employer that puts health and safety first. SCA aims to establish a sustainable supply chain with suppliers and contractors that share the company's values.	Long-term profitability requires sustainable and profitable growth in a responsible manner. The forest forms the core of SCA's operations and profitable growth is created as the renewable forest resource grows and by increasing the value generated by each tree.	SCA produces and sells renewable products that can replace fossil-based alternatives and thereby contribute to reducing global warming. SCA also contributes to climate benefit through the net growth of the company's forests, which absorb CO ₂ from the atmosphere, and by continuously striving to reduce greenhouse gas emissions from its own value chain.
Material risks¹⁾	<ul style="list-style-type: none"> • Business ethics • Reputational risk • Suppliers • Employee-related risks • Risks at production plants 	<ul style="list-style-type: none"> • Financial risks • Demand and market price for SCA's products • Impact of political decisions 	<ul style="list-style-type: none"> • Climate change • Political decisions • Financial risks
Impact on value chain	Employees (existing and potential), suppliers, customers, society	Shareholders, customers, society, employees, suppliers	Growth in the forest, SCA's facilities, suppliers, transports, customers
UN Sustainable Development Goals²⁾	Goal 3, 5, 8 and 10	Goal 12	Goal 7, 9, 12 and 13
Governance	<ul style="list-style-type: none"> • Code of Conduct • SCA's Supplier Standard • SCA's Compliance Council • Health and Safety Policy • HR Policy • Steering committee ZERO • SCA's Occupational Health and Safety Network 	<ul style="list-style-type: none"> • Financial control • Financial Policy • Business development plans • Budget follow-up 	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • Business development plans
Group target 2030 Overarching sustainability targets³⁾	An accident-free and healthy SCA where all employees comply with SCA's Code of Conduct	Leading total shareholder return (TSR)	Increased climate benefit from 10 to 15 million tonnes CO₂
Supporting sustainability targets Outcome 2022⁴⁾	<ul style="list-style-type: none"> • Target: All employees receive training in the Code of Conduct Outcome: 97% • Target: Purchasing from suppliers who share SCA's values, >98% of contract suppliers have approved SCA's Supplier Standard Outcome: 99% • Target: No workplace accidents resulting in absence. Outcome: LTA frequency rate 3.1 accidents resulting in absence, per million hours worked • Target: Develop leaders who can address future needs Outcome: Green rating on leadership index⁵⁾ • Target: Employees who grow and develop Outcome: Green rating on engagement index⁵⁾ 	<ul style="list-style-type: none"> • Target: Total shareholder return, TSR Outcome: -16% • Target: Stable and increasing dividend Outcome: The dividend for 2021 of SEK 3.25, of which SEK 2.25 is the regular dividend and SEK 1.00 an extra dividend. Proposed dividend for 2022 of SEK 2.50. • Target: Financial stability – Investment Grade credit rating Outcome: Investment Grade 	<ul style="list-style-type: none"> • Target: Increase total climate benefit to 15 million tonnes CO₂ Outcome: 10.1 million tonnes CO₂ • Target: Net uptake of CO₂ in the forest Outcome: 5.4 million tonnes CO₂ • Target: Increase substitution benefits from SCA's products Outcome: 5.4 million tonnes CO₂ • Target: 50% reduction of fossil emissions in the value chain, Scope 1, 2 and 3, compared with 2019 Outcome: 0.7 million tonnes CO₂e. Reduction by 18% compared with the base year of 2019 • Target: Implement 11 TWh of approved wind power capacity on SCA land by 2025 Outcome: 7.2 TWh

¹⁾ See section Risks and risk management.

²⁾ The UN's 17 Sustainable Development Goals play an important part in the work with SCA's sustainability platform. SCA views the goals holistically and makes direct or indirect contribution to all of the objectives. This is described in more detail on sca.com. The examples above show how the company contributes to the goals through each component in SCA's sustainability platform.

³⁾ Group targets have 2019 as base year.




⁴⁾ The non-financial multi-year summary presents a selection of key figures.

⁵⁾ Results from the latest All Employee Survey. A new All Employee Survey will be held in 2023.

⁶⁾ The following important habitats were prioritized in 2022: Deciduous forests with dead wood; light pine forests with dead wood continuity; open sand pine forests with tree continuity and fire-razed areas.



STRATEGIC PRIORITIES AND GROUP TARGETS

 Valuable forests	 Efficient use of resources	 Sustainable development
<p>The core of SCA's business is the forest, Europe's largest private forest holding. Through responsible forest management, the company's forests will remain at least as rich in biodiversity, nature experiences and raw material in the future as they are today. SCA plays an active role in developing forest management practices in order to reduce negative environmental impact and maintain or enhance conservation values, and also encourages and helps other forest owners to adopt a responsible approach to forest management.</p>	<p>SCA continuously strives to improve its resource efficiency, which contributes to better profitability while also being economical with the planet's resources and reducing the impact on the environment. Water is an essential resource and we safeguard access to clean water by minimizing our emissions and optimizing its use. We work continuously to minimize waste and look for new uses for the company's waste streams. Through innovation and product development, products are created that contribute to greater material efficiency for the company's customers.</p>	<p>With the force of the forest, we contribute to a sustainable future and achieve this through responsible forest management, resource efficiency and renewable products. SCA develops together with the communities in it operates. Jobs and growth are generated through our business activities, both directly and indirectly. Entrepreneurial innovation and strategic collaboration is crucial in this respect. We support institutions that provide meaningful leisure activities and enhance cohesion in the local communities in which we operate. We focus particularly on sports clubs and cultural associations for children and young people.</p>
<ul style="list-style-type: none"> • Risks linked to the forest holding • Biodiversity • Climate change 	<ul style="list-style-type: none"> • Environmental impact • Legal risks • Risks at production plants 	<ul style="list-style-type: none"> • Reputational risk • Political decisions
<p>SCA's forests, private forest owners, local communities, customers</p>	<p>SCA's operations, optimizing the value chain, customers</p>	<p>Value creation in and from the forest, viable local communities</p>
<p>Goal 3, 6, 12, 13 and 15</p>	<p>Goal 6, 7, 9, 12 and 14</p>	<p>Goal 8, 9, 11 and 17</p>
<ul style="list-style-type: none"> • Forest management manual • Quality manuals for forest operations, road construction and transport activities • Certification systems (FSC, PEFC) 	<ul style="list-style-type: none"> • Sustainability Policy • SCA's Environmental Network • ESAVE program • SCA's Innovation Network 	<ul style="list-style-type: none"> • Sustainability Policy • Sustainability platform • Sponsorship procedures • Procedures for consultation • Conservation parks • Forest Business Accelerator
<p>100% of wood raw material from responsibly managed forests</p>	<p>Zero waste – Nothing goes to waste</p>	<p>SCA contributes to sustainable development in the communities in which we operate</p>
<ul style="list-style-type: none"> • Target: 100% CoC certified wood raw material – minimum requirement FSC Controlled Wood Standard Outcome: 100% • Target: 75% of wood raw material from certified forests or harvested with SCA retention methods Outcome: 69% • Target: SCA's own forestry management certified under FSC and PEFC Outcome: 100% of SCA-owned forest (forest operations) • Target: We are to work proactively to protect biodiversity by increasing the number of habitats of special importance⁶⁾ for SCA's protected species Outcome: New target defined in 2022. Follow-up refer to page 162 	<ul style="list-style-type: none"> • Target: High raw material yield in every process Outcome: Measured locally per production unit • Target: Improve energy efficiency through efficiency enhancements of at least 35 GWh per year based on the company's energy consumption in 2020. (ESAVE program 2020–2025) Outcome: In 2022, energy efficiency programs were carried out corresponding to 57 GWh. • Target: To reduce specific process water use by 5% and emissions of particles by 10% by 2030 Outcome: In 2022, process water use was 22% above the target level and emissions of particles was 21% over the target level. • Target: 100% recycling/reuse of all non-hazardous waste Outcome: 96% 	<ul style="list-style-type: none"> • Target: Contribute toward viable local communities Outcome: 61% of SCA's economic value creation were paid to suppliers and employees mainly in SCA's local area in northern Sweden. • Target: Supporting civil society in sport, culture and other areas. Outcome: Central agreements with 149 local clubs and associations in sports, culture and health. • Target: Promoting the establishment and development of activities that create value in and from the forest Outcome: New target defined in 2022. Follow-up from 2023. • Target: Work together with external stakeholders in areas defined in our sustainability platform Outcome: New target defined in 2022. Follow-up from 2023

UN's 17 Sustainable Development Goals





GOVERNANCE AND MATERIALITY

Governance and materiality

Sustainability governance

SCA's sustainability work is an integral part of the company's business model and operations. The sustainability work helps the company strengthen competitiveness, reduce risks and costs, and attract talent and investors. SCA's strategic priorities in the field of sustainability are clarified in a sustainability platform that covers all of the company's commercial activities. To deliver progress in sustainability, the company has adopted Group targets in particularly important areas where SCA can make a key contribution toward sustainable development – socially, environmentally and economically.

The Board and the President bear the overall responsibility for the running of SCA's business in the field of sustainability. SCA's sustainability agenda is headed by the Group's Sustainability Council, which includes members of the Executive Management and the Group's Head of Sustainability. The Sustainability Council is led by the Group's Senior Vice President for Sustainability and Communications. In addition, a number of cross-functional networks exist to manage and coordinate specific issues, such as the environment and work environment.

Control and follow-up of sustainability work follows the same structure as other operations in SCA Group. A description can be found in the Corporate Governance Report and in the illustration below. The sustainability agenda is based on SCA's set of core values and regulated through the Group's policies, where the Code of Conduct and Sustainability Policy form the basis of sustainability activities.

The Group sustainability targets are formulated based on the materiality analysis and on strategic priorities. These are supplemented at local level with unit-specific targets. Risks linked to the field of sustainability form part of the Group's total risk management, which is outlined in the Board of Directors' Report.

Follow-up of sustainability work

Follow-up and evaluation of sustainability work complies with SCA's procedures for self-assessment, internal control and audits, as described in the Corporate Governance Report. Follow-up is conducted at unit level together with other monitoring of targets, and aggregated at Group level. The outcome of the Group-wide targets is monitored by the Group's cross-functional network and by SCA's Sustainability Council. Any discrepancies are reported using the discrepancy procedures in each business area and corrective measures are identified and implemented.

External initiatives and membership in organizations and certifications

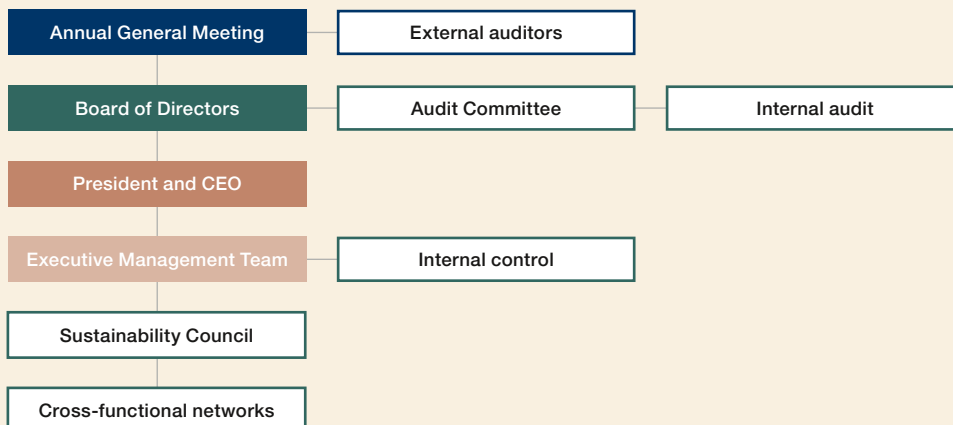
SCA contributes in various ways toward initiatives aimed at achieving a more sustainable world. SCA is a member of the UN Global Compact, an initiative aimed at convincing companies to take responsibility for the UN's ten principles in the areas of human rights, working conditions, the environment and anti-corruption. SCA is also active in a number of international, national and regional trade organizations.

SCA supports the 2030 Agenda and the UN's 17 Sustainable Development Goals. The company works with goals as a whole and makes a direct or indirect contribution to all of these goals. The goals form an important basis for the company's materiality analysis.

SCA is committed to active and responsible forest management, and supports the two international certification systems for forests and forest raw materials, the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). SCA is active at both the international and national level. Furthermore, SCA works to raise awareness of how active forest management and increasing the use of forest products can help to combat climate change. SCA is actively working to

Control and follow-up of sustainability work

Control and follow-up of sustainability work follows the same model as other operations in SCA.





protect the forest's biodiversity. This is achieved through its own initiatives and through cooperation in various research programs and initiatives, such as [business@biodiversity Sweden](mailto:business@biodiversity.se). SCA production facilities and forestry operations are certified in accordance with relevant standards such as ISO 9001, ISO 14001, ISO 45001 and ISO 50001, as detailed on [sca.com](https://www.sca.com).

SCA actively contributes to the transition and transformation to a fossil-free society and is a member of the Fossil Free Sweden initiative. The company uses established platforms to evaluate its own and its suppliers' performance on sustainability issues, such as EcoVadis and CDP.

Stakeholder dialogues

SCA engages in continuous dialogue with various stakeholders in order to better understand their concerns and priorities, and to continuously improve the company's value creation.

SCA identifies its primary stakeholders based on their interests and in relation to the Group's business. This takes various forms depending on the stakeholder group and the part of the business affected.

The business areas maintain a close dialogue with their customers and follow up customer satisfaction through surveys,

Key stakeholder issues in 2022

1. EU: Legislative package "Fit for 55", the EU Taxonomy and the forest strategy
2. The forest's role in work to combat climate change
3. Preservation of biodiversity in the forest
4. Labor migration from Ukraine

face-to-face meetings and third-party assessments. SCA regularly meets investors and analysts. The Group performs All Employee Surveys and annual goal and performance reviews with its employees. Moreover, SCA communicates with other groups and individuals in matters that have a major impact on society in general and local communities in particular, and holds regular meetings with individuals living near SCA's operations. SCA also maintains a close dialogue with NGOs, such as conservation organizations as well as Sami communities in reindeer herding areas.

Stakeholder dialogues provide insights into the expectations of various interest groups, help to cultivate long-standing relationships and continuously improve the Group's operations. In addition, these dialogues provide valuable information when the



GOVERNANCE AND MATERIALITY

Group assesses its sustainability program and prioritizes sustainability initiatives. The Stakeholder Dialogues table below offers an overview of the main stakeholder groups and a summary of the year's dialogues and the key conclusions drawn by SCA from the dialogues.

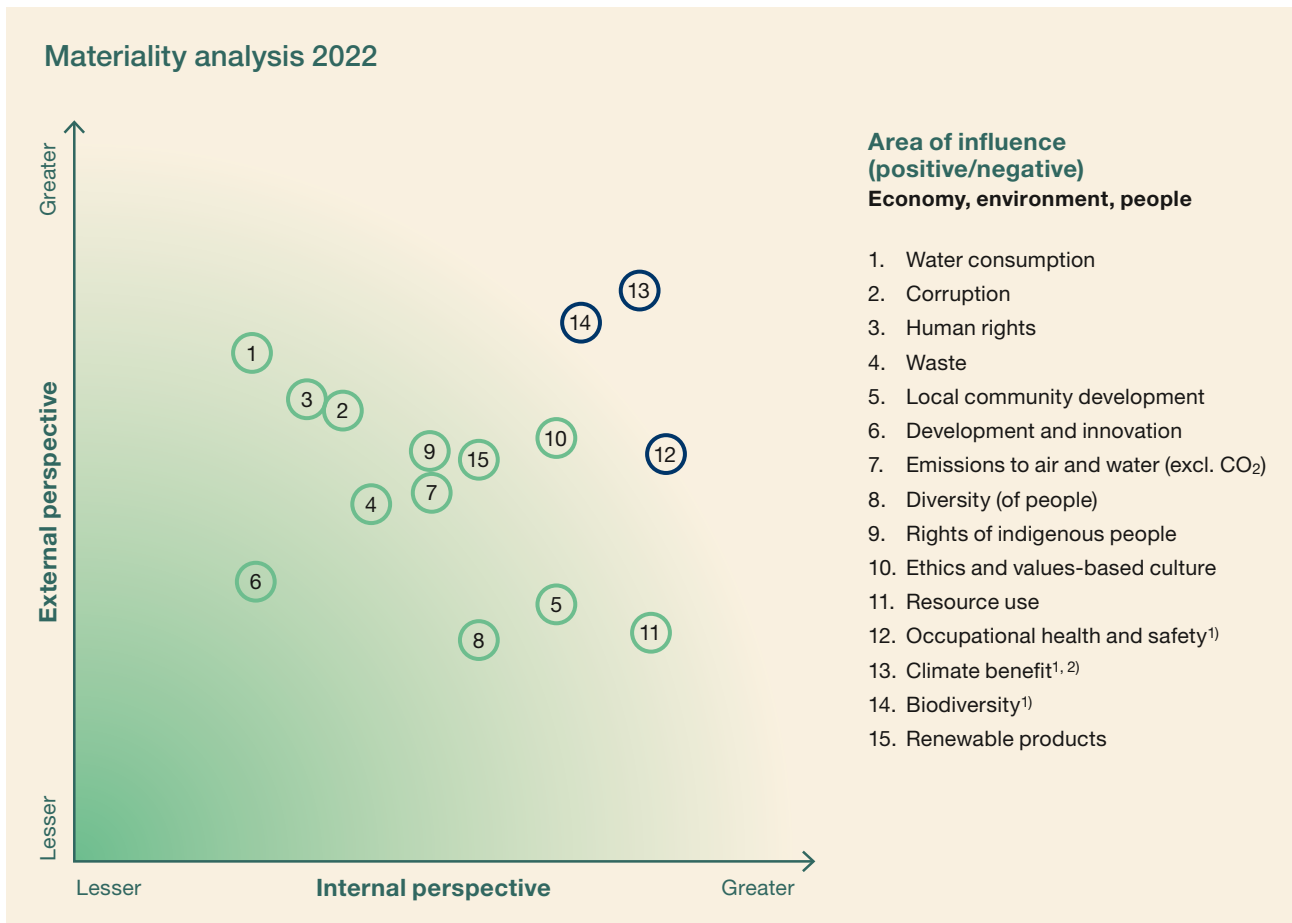
Materiality analysis

SCA's materiality analysis is based on several different elements: Stakeholder dialogues, targeted surveys, summaries of market trends and the company's and management's strategic priorities. The materiality analysis forms the basis for SCA's strategic direction and priorities within the framework of the Group's sustainability work. SCA conducts a materiality analysis every year. Every second year the analysis is more detailed and an update is conducted in the intervening year. In 2021, a comprehensive analysis was performed with the assistance of external parties. In 2022, the analysis was updated and adapted to the latest requirements from the Global Reporting Initiative (GRI Standards 2021). The conclusions of the updated materiality analysis are reported in the 2022 Materiality analysis illustration.

The materiality analysis shows the areas where SCA's operations and sustainability initiatives have the greatest impact on the economy, environment and people, including human rights. The analysis provides an overview of the priorities of the stakeholder groups, market developments and was included as part of the

review of the company's sustainability platform. The starting point for the work was an analysis of market conditions and a stakeholder analysis. The stakeholder analysis included external stakeholders such as investors, capital market participants, rating institutes, customers, suppliers, NGOs, politicians as well as the company's internal strategic priorities. The company's contributions and challenges linked to the UN's 17 Sustainable Development Goals were included as part of the analysis. The purpose of the materiality analysis is to ensure that our priorities in sustainability work are in line with stakeholder expectations and to determine which sustainability issues should be included in the sustainability report and GRI reporting. Sustainability work focuses on high priority topics and these are presented in the GRI report.

The materiality analysis performed in 2022 concluded that SCA is considered to have the greatest impact in the following areas: occupational health and safety, climate benefit, and biodiversity. The Group's sustainability agenda also includes topics with a lower priority, and these are described to some extent in the sustainability report and reporting in Sustainability facts, but do not constitute material topics in the GRI index. Accordingly, in comparison with the GRI index in 2021, the areas anti-corruption, diversity and equal opportunity have been excluded. The company's economic profitability is, as before, included in financial reporting but not presented in the GRI index.



¹⁾ Material topics are number 12 occupational health and safety, 13 climate benefit, and 14 biodiversity as described above.

²⁾ Climate benefit encompasses energy consumption and CO₂ emissions.



GOVERNANCE AND MATERIALITY

Stakeholder dialogues

Again in 2022, the company's direct interaction with stakeholders was affected by the coronavirus pandemic. Fewer physical meetings took place compared with a normal year. This situation normalized during the autumn and more in-person customer visits were held. Meanwhile, digital working arrangements have developed further and now replace physical meetings to a greater extent than before.

Stakeholder groups	How we conduct dialogues	Main topics	How we address the issues
Customers and consumers	Customer visits, meetings, interviews, participation in customer events and seminars, trade fairs, mailings, website, social media, regular contacts by e-mail and telephone	Climate benefit, environmental impact, ecolabelling, fiber sourcing, chain of custody, forestry, biodiversity, human rights, reindeer herding, occupational health and safety, expertise, market, customer benefits, business development, resource efficiency, energy market, innovation, quality, product safety, logistics and security of supply	<ul style="list-style-type: none"> • Customer surveys, questionnaires and customer visits • Close dialogue with customers to develop the company's value chain • Dialogue about product safety, climate, responsible forest management, chain of custody • Training in Code of Conduct and the Supplier Standard • Development of new products and service concepts together with customers • Life cycle management of products • Visit to customers by SCA experts in various fields • Customers who perform audits of SCA's operations • Customer magazines, for example SCA Wood Magazine and New Ways • Newsletter • Ecolabels, such as WWF ECPI • Preparation of Environmental Product Declaration (EPD)
Employees	Performance reviews, workplace meetings, work councils, online surveys, intranet, internal courses, management meetings	Value-based culture, occupational health and safety, attracting and recruitment, skills development, succession planning, compensation and benefits, business ethics, working conditions, resource efficiency, environmental impact, product development, strategic development	<ul style="list-style-type: none"> • The Group's ZERO initiative for developing a health and safety culture • Risk analyses and management of pandemic • Internal digital channels (intranet, electronic displays, Instagram and webinars). • The discussion tool "How do we act?" and training in SCA's Code of Conduct, anti-corruption and business ethics • Participation in student fairs and partnerships with the educational sector • SCA's podcast "Ingenjörspodden" • Introductory course for new employees, skills-enhancement activities, leadership training, Early career program and internships
Investors and owners	Investor meetings in conjunction with, for example, interim reports, capital market days, risk reports, the AGM, interviews, website	Financial performance, market outlook, sustainability, areas of growth, renewable energy, degree of self-sufficiency, forest valuation, risk management, corporate governance	<ul style="list-style-type: none"> • AGM, March 31, 2022 • Capital Market Day November 25, 2022 • Regular investor and analyst meetings during the year • Roadshows in conjunction with quarterly accounts • Risk management as part of the Board of Directors' Report in the Annual report
Suppliers	Follow-up meetings, request for tenders and procurements, interviews, website	Health and safety, supplier audits, business ethics, human rights, energy consumption, resource efficiency, climate impact	<ul style="list-style-type: none"> • SCA's Supplier Standard as part of contracts • Supplier assessments and follow-up meetings • Risk-based supplier audits performed on-site • Training of procurement employees • Assessing countries and suppliers from a sustainability perspective • EcoVadis platform • Follow-up meetings with individual suppliers
Private forest owners	Forest owner meetings, physical and virtual meetings, customer magazine, website, social media	Long-term and sustainable forestry, management methods, forest management plans, ownership rights, forest management certification, nature conservation, profitability	<ul style="list-style-type: none"> • Business contacts on an ongoing basis during the year • Customer satisfaction interviews with private forest owners • Forest owner meetings and participation in trade fairs • Collaboration with Skogscertifiering Prosilva AB (group certificate for private forest owners) • "Din Skog" customer magazine for forest owners
NGOs	Meetings concerning specific issues, interviews, reporting to ecolabels and sustainability indexes, websites	Forest management, biodiversity, climate and environmental issues, resource efficiency, green energy, human rights, hunting, reindeer herding	<ul style="list-style-type: none"> • Dialogue with local, regional and national stakeholders • Onsite visits to the company's forests • Memberships and involvement in organizations such as the Swedish Forest Industries Federation, the Confederation of European Paper Industries (CEPI), FSC and PEFC, Bioenergy Europe and the Swedish Wind Energy Association • Continued revision of relevant standards and ecolabels • Collaboration with FSC International on biodiversity that launched at COP15 in Montreal • Collaboration with BirdLife to restore wetlands and improve conditions for birds, such as Ural owls • Dialogue with reference groups in conservation parks
Political engagement and the community	Dialogue meetings, local events, public consultation, interviews, websites	Occupational health and safety, environmental issues, local issues, renewable energy, reindeer herding, labor market, education, community engagement, diversity issues, human rights	<ul style="list-style-type: none"> • Dialogues with regulators, government authorities, municipalities and lobbyists • Consultation and dialogue about investments, permits, employment and other local issues • Consultation meetings with local Sami communities and residents living near to SCA's industries and forests • Board representation or participation in organizations for regional development, such as chambers of commerce and Junior Achievement Sweden in the northern counties • Participation in "Skogen i skolan" • Supervisory and annual reporting to government authorities, for example environmental reports

Value-based culture



Core values

SCA has a corporate culture based on SCA's core values – responsibility, respect and excellence. This is reflected in the way SCA treats people, does business and conducts its operations. Human rights are to be respected by SCA and its business partners. SCA's Code of Conduct serves as the basis for its corporate culture.

Code of Conduct

SCA's Code of Conduct is a framework for putting the Group's core values – responsibility, respect and excellence – into practice. The Code of Conduct is to ensure that SCA's employees comply with the Group's core values and do not engage in unethical transactions and practices. SCA has zero tolerance for misbehavior in the workplace, such as discrimination and sexual harassment.

The Code of Conduct is the Group's foremost steering document in terms of sustainability and constitutes, together with SCA's Sustainability Policy, the basis of the Group's sustainability agenda. The Code of Conduct, which is adopted by the Board of Directors, details the guidelines for business ethics (including anti-corruption), health and safety, employee relations, and respect for human rights, the environment and society that every employee is to follow. The Code of Conduct is based on the UN Declaration of Human Rights, the International Labour Organisation's (ILO) Core Conventions, the Organisation for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises, and the Ten Principles of the UN Global Compact. More about SCA's Code of Conduct can be found on [sca.com](https://www.sca.com).

SCA's Code of Conduct applies to all employees within the Group. It applies to all markets in which SCA conducts opera-

Compliance with SCA's Code of Conduct, laws and regulations

Reported cases and remarks in 2022 (outcome in 2021 in brackets)

SCA uses a number of methods to safeguard compliance with prevailing law and the company's Code of Conduct. These include risk evaluation, audits by external and internal auditors, the company's internal control, incident reporting and controls in connection with acquisitions.

All employees are encouraged and have the opportunity to report incidents and risk observations with respect to health, safety and environment. The reports are incorporated in ongoing work to ensure continuous improvements.

Code of Conduct

In 2022, 8 (7) cases of potential breaches of the Code of Conduct were reported and investigated. They included cases of corruption and conflicts of interest as well as inappropriate behavior. Of these, 5 (5) were confirmed as breaches of the Code. No cases were ongoing at the end of the year.

Anti-corruption and competition laws

There are no ongoing (0) cases against SCA related to breaches of anti-corruption or competition law. Nor has SCA been subject to any legal process during the current or preceding year.

Health and safety

Serious workplace accidents and health and safety incidents are reported to the relevant authority. The authority may submit a case to the public prosecutor for review. In 2022, a case was initiated by the Swedish Police Authority concerning an accident that took place at the Östrand pulp mill

in 2020, when contractors suffered burns. From previous years, 0 (0) incidents resulted in the issue of a punishment order or corporate fine and no corporate fines or penalties were therefore paid in 2022.

External environment

It is important to engage in active dialogue with communities that can be affected by SCA's operations. This stakeholder dialogue encompasses the entire Group's operations, see the Stakeholder dialogues section. Dialogues may, for example, be conducted as public meetings or be based on opinions received. All environmental remarks are investigated in accordance with SCA's procedures and measures are taken when deemed appropriate. It is also possible to submit comments or complaints about our forest management via our website. In 2022, 108 (119) remarks were registered. These remarks were related to noise, odors, emissions to surrounding areas, or to forest management operations.

SCA's operations have been granted permits by the authorities. These permits are associated with a number of environmental conditions that must be complied with. The authorities are informed in the event of transgressions. Corrective action is taken both urgently and in the longer term to reduce environmental impact. During 2022, 21 (34) environmental matters were dealt with in dialogue with the authorities. 5 (4) of these matters resulted in penalties during the year. These concerned prohibited excavation work, incorrect choice of oil analysis, refrigerant reporting and, in relation to our forest operations, deficiencies in harvesting notifications. In total, the company paid SEK 522,232 in fines and other fees.

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tions. All new employees are trained in the Code of Conduct as part of their initial orientation. Every third year, all employees take part in a refresher course. The percentage of employees that have completed Code of Conduct training amounted to some 97% at the end of 2022. According to SCA's Code of Conduct, employees must always act in SCA's best interest and avoid conflicts of interest. SCA's Conflict of Interest Instruction sets out the meaning of conflicts of interest and specifies how potential conflicts of interest shall be reported. The Code of Conduct also forms the basis for SCA's Supplier Standard.

Business ethics

SCA bases its business activities on honesty, integrity and responsible business practices. The company must comply with applicable laws, regulations and SCA policies and instructions. Bribery and all other forms of corrupt business practice are strictly prohibited. Neither SCA nor anyone acting on SCA's behalf may authorize, offer or make available any payments, gifts or other benefits that could affect or appear to affect objectivity in business decisions or the actions of a government official. All financial information must be accurately reported in a non-misleading manner in accordance with SCA's accounting practices.

Anti-corruption

Corruption is to use your position to achieve an unfair advantage for your own gain or the gain of another person. This includes bribery that entails providing, offering, receiving or requesting an unfair benefit. The Group must conduct all activities in accordance with applicable laws and regulations and does not tolerate any form of corruption or bribery. Work against corruption is included in SCA's Code of Conduct. SCA's instructions for anti-corruption establish rules to prevent anti-corruption in the Group's operations regardless of country.

All of SCA's employees are trained in the Group's Code of Conduct, which includes a section dealing with business ethics.

Employees in a senior position and/or with external contacts are given additional training in anti-corruption. The target group comprises about 1,400 employees. Management teams and other relevant individuals also receive training on these issues in the form of mini-seminars.

Anti-trust

SCA complies with competition laws and strives to combat anti-trust, price fixing, the carving up of customers or geographic markets, bid rigging or abuse of a dominant position. SCA has established programs to increase knowledge among employees of competition law. The target group is employees with market-related contact with competitors and includes about 500 individuals. SCA has guidelines for compliance with competition law. Every year these are distributed to the target group, who must confirm that they have read the material. In addition to training for employees and new employees in the relevant target group, regular seminars are held that discuss issues and news in the area.

Human rights and the equal value of everyone

Human rights are one important aspect of SCA's Code of Conduct, which forms the basis of the Group's company culture and business relationships. SCA does not tolerate child labor or any other form of forced labor in its own facilities or the operations of any business partner. SCA complies with applicable national laws and international standards on minimum age wherever the company operates. SCA promotes fair working conditions, health and safety, the trade union rights of employees and the right to collective bargaining. SCA has been a member of the UN Global Compact since 2008. Risks linked to human rights have primarily been identified in business relationships, health and safety and the use of land. See the section on risks in the Board of Directors' Report. All forms of suspected violations of human rights are taken very seriously and dealt with in the same manner as other potential violations of SCA's Code of Conduct.



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Reporting breaches

SCA encourages all employees to report suspected violations of the Code of Conduct or laws. The violation can be reported through SCA's normal channels to a line manager, human resources manager, legal counsel or union representative. There is also a whistleblower function available at sca.com which is also open to individuals who do not work at SCA. The complaints, which may be submitted anonymously, are investigated confidentially, promptly and professionally by specially appointed investigators taking into account personal data legislation. Complaints covered by the whistleblower system and other cases of suspected violation of the Code of Conduct are managed in accordance with SCA's procedures. Even if an allegation cannot be substantiated, preventive actions may be implemented. The scope, outcome and actions taken concerning reported cases are followed up by SCA's Compliance Council. SCA's Compliance Council regularly informs the Audit Committee of reported cases.

A healthy and safe work environment

SCA's most important objective is to ensure that all employees, and everyone who enters the company's sites, should return home healthy and unharmed. The Group's primary aim is that no workplace accidents resulting in absence occur. SCA's Health and Safety Policy describes the Group's health and safety culture. Health and safety work at SCA's mills is certified in accordance with ISO 45001. A Health and Safety Week is held every year.

SCA has gathered activities under the "ZERO" name, with the aim that no workplace accidents resulting in absence are to occur. This program has been initiated by, and reports directly to, the President. In turn, the number of accidents resulting in absence, changed work duties or medical treatment and proactive key figures, are reported on a regular basis by the President to the Board of Directors. The ZERO program is developing a shared health and safety culture, training leaders, engaging in dialogue on safe and unsafe behavior and encouraging all employees to become involved and active. ZERO also includes shared procedures and a uniform structure for systematic

follow-up, evaluation and reporting. The target of no workplace accidents has been supplemented with achieving a mature (interdependent) health and safety culture corresponding to the definition used in the Bradley Curve™ developed by DuPont.

SCA is proactive in identifying and addressing shortcomings and risks, reporting and analyzing events that have occurred to identify the underlying causes and implementing measures to prevent similar incidents in the future. Lessons learned from events that have occurred will be shared with the other units within the Group. Every employee has the right to stop work if the situation is perceived as unsafe. Each unit has a clear safety organization, local targets and action plans.

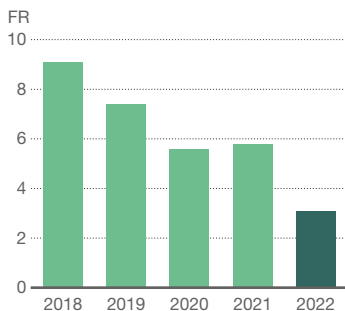
SCA conducts health and safety training initiatives. In 2022, 31 managers, safety officers and others who are active in improving the work environment received training to create a better work environment (BAM) and several hundred employees were trained in behavior-based safety (BBS), a methodical and simple approach to alert each other to work safely. There are also local initiatives that promote healthy living and a safe work environment.

All SCA employees have access to occupational health services that provide work-related health services and proactive work in health and well-being. The occupational health service provider works on a strictly confidential basis and also conducts random drug tests.

In 2022, SCA continued to work systematically with health and safety for our employees and contractors. Among SCA's employees, 16 (33) workplace accidents took place during the year resulting in absence, which is a 50% reduction compared with last year's accident frequency rate. Just under half of the accidents were caused by slips, trips and falls.

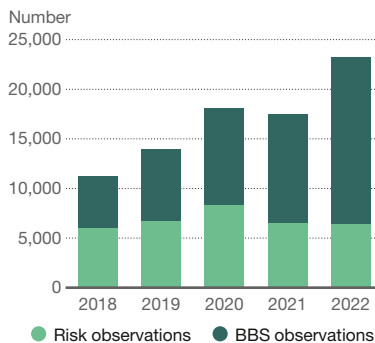
In 2022, the number of days of absence due to workplace accidents remained at the same level as 2021 at 14 days (14) per accident. The total number of days of absence decreased to 230 (472) days. A small number of accidents accounts for a large

Workplace accident frequency rate



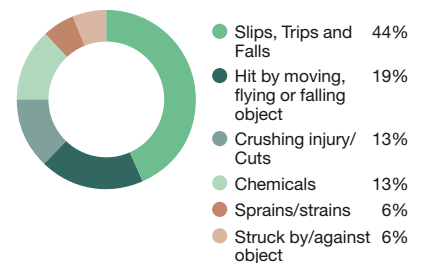
The accident frequency rate (FR), measured as the number of workplace accidents resulting in absence per million hours worked was significantly lower than 2021. The long-term trend is positive and a clear sign that the ZERO initiative is having the desired effect.

Risk and BBS observations



The number of risk observations was at a similar level to 2021 and was in line with the target for 2022. BBS observations increased by more than 50% during the same period and this is in line with our ambition to develop a safety culture.

Cause of accidents



Just under half of the accidents were caused by slips, trips and falls.



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share of absence. As part of preventive efforts, 23,242 (17,477) risk and BBS observations were reported.

Tragic accident at Ortviken site

In 2022, a tragic accident occurred at the Ortviken site when a subcontractor was killed during work on the CTMP project.

Coronavirus, Covid-19

Health and safety have always been a top priority at SCA. The company is complying with the restrictions imposed by the authorities and has taken steps to avoid the spread of the virus at workplaces, to protect risk groups and safeguard operations. In 2022, the company adjusted critical functions, divided working groups and implemented remote working. In the operating organization, the company adapted workplaces and procedures to minimize the risk of infection. Production and customer deliveries were maintained in a satisfactory manner. Through good planning and cooperation, SCA also performed major maintenance stoppages, and investment projects are progressing on time despite a shortage of components in several areas.

Diversity and inclusion

SCA firmly believes in equal value of every individual and mutual respect for one another. It fosters cooperation and contributes to development, for people and the company. The principles for the company's work in the field are detailed in SCA's Code of Conduct, HR Policy and procedures for victimization. The equal opportunity plans, which include practical activities at operational level, are prepared and followed up on an annual basis. The company also developed a discussion tool to facilitate and encourage dialogue on topics and situations that can occur in day-to-day activities. By spotlighting and talking about dilemmas, SCA's employees can work to create an even better workplace.

To increase attractiveness and diversity, the company is working to clarify the employer proposition and to broaden its recruitment base by changing the style of its recruitment ads, a Group-wide recruitment function, and through interaction with high schools, higher education and universities.

Focus during recruitment is on a broader pool of applicants to ensure that at least one of the final candidates is from the under-represented gender for that position. For summer workers, the aim is to achieve gender equality in recruitment. In 2022, 421 (380) young people had summer jobs at SCA of which 37% (37) were women.

Skills supply

SCA works with various educational institutions to secure its short and long-term supply of skilled personnel. SCA participates in the Skogen i Skolan program, which aims to increase knowledge and awareness of the forest and forest industry among students and teachers, "Tekniksprånget," a nationwide placement program for senior high school students who studied natural sciences and technology programs to increase interest in pursuing the engineering profession, and "Jobbsprånget" to help newly arrived academics to enter the labor market. An Early Career program for future specialists and leaders was prepared in 2022 and will be launched in 2023.

SCA takes part in the development of training courses in professions with a shortage of labor, such as forest machine operators. Furthermore, the company offers practical workplace experience and summer jobs in offices, industrial plants, nurseries and forest operations. This provides a good and important base for SCA's supply of skilled employees, while offering young people an important work experience.

Employee relations

Employees have representatives on the Board and in various networking groups to work together with the company to improve and develop operations. In the event of major changes, an impact assessment is performed.

The All Employee Survey is held regularly. Focus during the year was on action plans to retain strengths and develop selected areas for improvement. A new survey will be held in 2023.

Working conditions comply with national laws and applicable collective agreements wherever we operate. These regulate

Active work for inclusion and attractiveness as an employer.**Examples include:**

- A living Code of Conduct through training and discussion cards for dialogue about values.
- Through Instagram #wearesca where different employees show their daily lives at SCA.
- New season of SCA's podcast Ingenjörspodd. Available through podcast platforms or on www.sca.com/podcast.
- Training in equal opportunity recruitment and the aim that at least one of the final candidates are from the underrepresented gender.
- Greater gender balance among summer workers. Forest, Central Functions and the Bollsta sawmill all reached a level of more than 40% women.
- Participation in Tekniksprånget (IVA), where 59% of participants are women.
- SCA Forest is one of 25 parties in "Jämställdhet i skogsbranschen", a gender equality project in the forest industry, that was started by the Västernorrland County Administrative Board.
- An Early Career program for future specialists and leaders where half of participants are women.
- New Group-wide and digital introductory training combined with study visits to selected operations as well as meetings with representatives of Executive Management.
- Preparation of three-year equal opportunity plans for the business areas and larger units.
- Scholarship to continue technology university studies for recently graduated high school students.
- Internships for engineering students in their third and fourth years.
- Participation in the Skogen i skolan organization, which strives to increase knowledge about the forest and its many values among compulsory school pupils.
- Preparation of the Bästa Skogen training material in cooperation with other industrial players.
- Participation in labor market fairs at universities.

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minimum wages and working hours. When no collective agreement exists, we will follow relevant industry standards. All employees in Sweden, with the exception of the Executive Management Team, are covered by collective agreements. The percentage for the Group as a whole is 98% (98).

Committed and competent employees

Expertise and the need for training are identified based on the needs of the operations and the individual to meet current and future challenges in the best way possible. Each year, succession and skills supply plans are prepared to ensure the supply of managers and employees.

The world's largest paper machine for the production of kraftliner is under construction in Obbola. The future Obbola plant will not only include physical machinery and buildings but also be transformative and involve changes to the organization, working practices, processes, expertise and governance. Strategic partnerships have been created to enable long-term skills development.

SCA strives to offer every employee an opportunity to develop to their full potential and to work in an atmosphere of respect and trust. All employees are to take part in annual appraisal reviews to follow up performance and job satisfaction, define areas for improvement and personal targets. The percentage of employees with documented goals and performance reviews in 2022 was 90% (87).

SCA applies the 70-20-10 model for learning and development, meaning most learning is achieved by performing work duties and reflecting in the work situation (70), followed by learning through interaction (20) and formal training (10). Formal training is undertaken in, for example, functional areas such as health and safety, production and operations, maintenance, logistics, and marketing, as well as in economy, legal matters and IT. Training in simulators combined with coaching in everyday operations is used to develop areas such as tree harvesting, and pulp and paper production.

All new employees undertake SCA-wide introductory training and have a personalized introductory plan. All new managers take part in an introduction to SCA's leadership platform that also encompasses SCA's strategy and the company's expectations for its leaders. Moreover, management programs are conducted and shorter courses in rehabilitation and work adaptability, recruitment, target and performance reviews and labor law are run. In 2022, a total of 125 (180) managers took part in these activities.

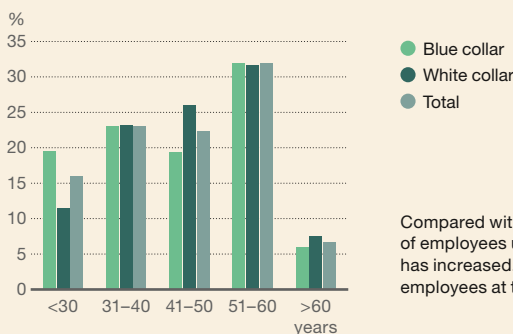
Work continued during the year to develop SCA's Group-wide system for employee and organization data. The system enables the digitalization of most of our employee processes and will help us in our ambition to standardize, enhance and optimize processes for our employees and managers.

Number of employees¹⁾

	Total	Sweden	United Kingdom	Germany	Baltic region	Rest of Europe	Hong Kong
Total number of employees	3,243 (3,373)	3,184 (3,310)	8 (7)	20 (25)	24 (23)	1 (1)	6 (7)
of whom women (%)	23 (22)	22 (22)	38 (43)	45 (40)	50 (48)	0 (0)	50 (57)
Permanent employees	2,886 (2,944)	2,831 (2,888)	8 (7)	17 (19)	23 (22)	1 (1)	6 (7)
of whom women (%)	22 (21)	21 (20)	38 (43)	41 (42)	52 (50)	0 (0)	50 (57)
Temporary employees	357 (429)	353 (422)	0 (0)	3 (6)	1 (1)	0 (0)	0 (0)
of whom women (%)	32 (31)	32 (32)	0 (0)	67 (33)	0 (0)	0 (0)	0 (0)
Full-time employees	3,181 (3,317)	3,128 (3,254)	8 (7)	18 (25)	20 (23)	1 (1)	6 (7)
of whom women (%)	23 (22)	22 (22)	38 (43)	39 (40)	45 (48)	0 (0)	50 (57)
Part-time employees	62 (56)	56 (56)	0 (0)	2 (0)	4 (0)	0 (0)	0 (0)
of whom women (%)	31 (23)	25 (23)	0 (0)	100 (0)	75 (0)	0 (0)	0 (0)

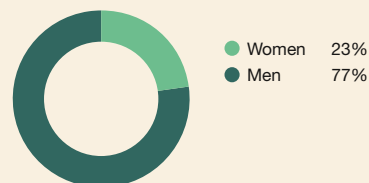
¹⁾ The table refers to data from December 31, expressed as number of employees. Data for 2021 is presented in brackets. The Baltic region refers to Estonia and Latvia. Rest of Europe refers to the Netherlands. On-call workers will be reported from 2023. Data collection, see page 173.

Employee age distribution for the Group



Compared with 2021, the proportion of employees under the age of 40 has increased. Refers to permanent employees at the end of the year.

Distribution women and men in total for the Group



At the end of the year, the share of women in total in the Group amounts to 23%, which is an increase of 5 percentage points since 2017.



VALUE-BASED CULTURE

SCA's Supplier Standard

The Standard is based on SCA's Code of Conduct and international standards. It has been formulated to ensure that suppliers share the company's values and to minimize risks in the supply chain. The Standard covers areas such as business ethics, human rights, working conditions, environmental impact and product safety.

Sustainable supply chain

SCA wants to ensure safe and high-quality goods and services for its customers and consumers, produced and delivered with respect for people and nature. Potential business partners are evaluated before cooperation is initiated. The evaluation comprises both commercial matters and issues concerning existing policies and processes regarding, for instance, the work environment and business ethics.

To ensure that SCA's suppliers share the company's set of values, SCA has formulated a Supplier Standard with which suppliers must comply. In 2022, 99% (98) of contract suppliers accepted the Supplier Standard.

Sustainability risks for about 3,900 of SCA's suppliers were assessed in the EcoVadis IQ tool. The sustainability activities of 333 of these were also studied in more detail in EcoVadis. In 2022, five on-site audits were performed. Regarding harvesting

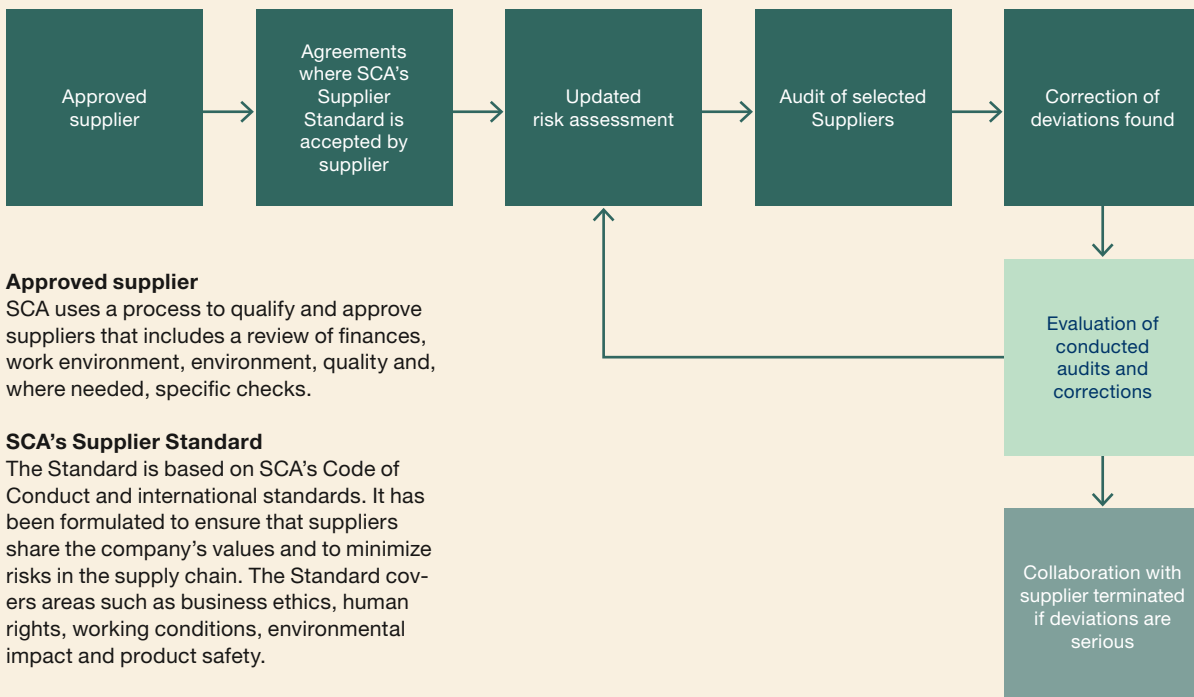
and silvicultural services contractors, procedures for supplier assessments, control and on-site visits are established that correspond to SCA's Supplier Standard. Approximately 4,600 follow-ups were carried out on site in 2022.

SCA has agreements with a large number of suppliers. For wood supply from private forest owners, SCA has business relationships with approximately 18,000 private forest owners, via 80 timber purchasers employed by SCA. Wood sourcing from forest companies and forest owner associations, as well as any imports, is managed by a central purchasing function. About 180 contractors are responsible for most of the harvesting work, about 100 for timber transportation to SCA's industries and about 90 for forest management measures.

For the most important input goods and services, there are a number of suppliers available in the market. This is also often the case for suppliers of maintenance and building services for industrial facilities.

SCA's process for a sustainable supply chain

It is important that the company's suppliers share our values. Regular reviews of risk and improvement potential enable us to develop together.



Approved supplier

SCA uses a process to qualify and approve suppliers that includes a review of finances, work environment, environment, quality and, where needed, specific checks.

SCA's Supplier Standard

The Standard is based on SCA's Code of Conduct and international standards. It has been formulated to ensure that suppliers share the company's values and to minimize risks in the supply chain. The Standard covers areas such as business ethics, human rights, working conditions, environmental impact and product safety.



SOCIAL DATA

Social data for the SCA Group

The table shows aggregated data at Group level for operations that were part of the Group during that year. Data for the building material operations in the UK in the business area Wood are included for the part of 2020 when SCA owned the operations. The discontinuation of publication paper operations has affected the statistics in the years 2020–2022.

	2022	2021	2020
Employees			
Average number of employees	3,313	3,577	4,196
Average age of employees ¹⁾	43	-	-
Share of women ²⁾	23%	22%	21%
Share of women, blue collar ²⁾	13%	13%	12%
Share of women, white collar ²⁾	35%	35%	34%
Share of women, in management positions ^{2, 3)}	24%	23%	23%
Share of women in Executive Management ²⁾	25%	25%	17%
Share of women on the Board of Directors (including appointed by employees)	38%	38%	36%
Share of women on the Board of Directors (excluding appointed by employees)	40%	40%	33%
Employee turnover ⁴⁾	12%	21%	14%
of which restructuring ⁵⁾	4%	12%	8%
of which retirement	2%	2%	2%
of which other	6%	7%	4%
Health and Safety			
Absence due to illness total	3.7%	3.0%	3.9%
Number of workplace accidents resulting in absence, LTA (of which non-Swedish units)	16 (0)	33 (0)	36 (5)
Number of workplace accidents among contractors, CLTA ⁶⁾ (of which fatal accidents ⁷⁾)	29 (1)	36 (0)	24 (0)
Number of working days lost due to workplace accidents, DLA ⁸⁾	230	472	310
Workplace Accident Severity Rate, ASR, measured as days of absence/LTA	14.4	14.3	8.6
Workplace accident Frequency Rate, FR, (LTA/1,000,000 WH)	3.1	5.8	5.6
Fatal accidents	0	0	0
Total Recordable Incidents, TRI ⁹⁾	103	112	124
Total Recordable Incidents Rate, TRIR	20.1	19.7	19.1
Number of hours worked, million hours	5.13	5.69	6.48

¹⁾ Follow-up of average age, began 1 Jan 2022. Data excluding Gällö.

²⁾ Refers to employees on December 31.

³⁾ Refers to members of management teams.

⁴⁾ Refers to permanent employees.

⁵⁾ In 2020, the building materials operations in the UK were divested, publication paper operations were discontinued in 2021.

⁶⁾ Refers to contractors who perform work at SCA's facilities, in forestry operations or conduct transport activities.

⁷⁾ Subcontractor in conjunction with CTMP project at Ortviken site.

⁸⁾ Scheduled days of absence from day 1 after the accident.

⁹⁾ Includes all lost time accidents (LTA), restricted work cases (RWC) and medically treated accidents (MT). Medically treated accidents include visits to healthcare or occupational health services.

Profitable growth



Profitable growth in a responsible manner is an important aspect of sustainable development and represents one component in SCA's sustainability platform. SCA's strategy is described in the Strategy section on pages 20–23. Profitable growth generates value for SCA's various stakeholders and utilizes SCA's industrial ecosystems to create value in, by and from the company's large forest holding. The company's operations also create profitable growth for customers, suppliers and communities where the company operates. Profitable growth is also a prerequisite to allow SCA to continue to make significant yearly investments in, for example, modern and sustainable mills or forest management that yields increased growth in SCA's forests which serves to mitigate global warming.

Attractive investment

Through the realization of the company's strategy for profitable growth, SCA is to deliver a leading total shareholder return, meaning share price appreciation including dividends, and a stable and increasing dividend to shareholders.

In 2022, the total shareholder return for SCA's Class B share was –16%, which compares with total shareholder return for OMX Stockholm 30 of –13%. Since the distribution of Essity in 2017, the total return for SCA's Class B share has been 126%, which compares with total return for OMX Stockholm 30 of 46% (see page 58). The Board of Directors proposes a dividend of SEK 2.50 per share for the 2022 fiscal year. The dividend in 2021 amounted to SEK 3.25, of which SEK 1.00 was an extra dividend.

A stable financial position is a prerequisite and foundation for investing in growth. This is measured by the company holding an Investment Grade credit rating. The credit rating agency

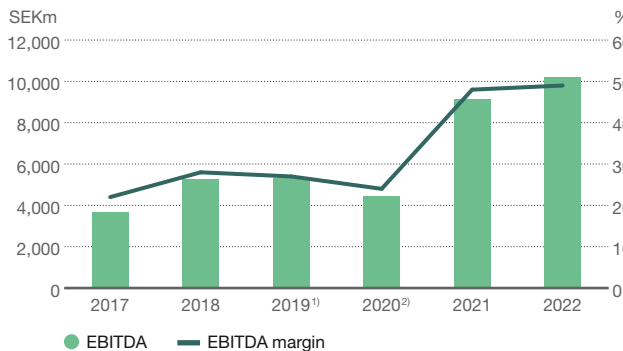
Standard and Poor's (S&P) issued a credit rating for SCA of "BBB" with a stable outlook.

Profitable and sustainable growth over time

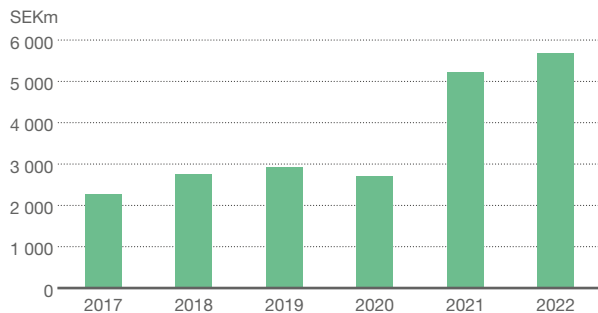
SCA is a forest products company with modern and well-invested industries close to the large forest holding of 2.7 million hectares of forest land. As a resource, the forest yields stable profitability and value growth. Since 1956, the forest assets have provided an annual total return of about 10%.

The strong project portfolio comprising forest and industrial investments guarantees profitable growth over time. SCA manufactures products for which there is long-term growing demand and that meet rigorous sustainability and quality demands. During the year, SCA started producing kraftliner using the new paper machine in Obbola. The investment included environmental investments of approximately SEK 1bn, which, for example, include a reduction in oil consumption by 8,000 cubic meters per year and an improved water treatment capacity. This will enable fossil-free production. In 2022, SCA also started the new pulp line at Ortviken. The new facility used some of the existing infrastructure and mechanical equipment from the discontinued publication paper operations, and this repurposing resulted in significant economic savings. Forest has an increasingly important role to play in the transition to a more sustainable society. SCA's renewable products, such as biofuels, packaging paper and solid-wood products, can replace fossil fuels, plastics and concrete. The growing forest and higher production of renewable products increases SCA's climate benefit and reduces the adverse effects of climate change. In 2022, total climate benefits from SCA's forest and manufacturing industries amounted to 10.1 million tonnes of CO₂.

EBITDA and EBITDA margin



Operating cash flow



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

²⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

PROFITABLE GROWTH INCLUDING EU TAXONOMY

EU Taxonomy

Economic activities eligible under the EU Taxonomy

The EU Taxonomy for sustainable investments should offer guidance for the financial market to identify economic activities that make a substantial contribution to help the EU achieve its environmental objectives and its green growth strategy. Currently, reporting encompasses two of the six environmental objectives, mitigation and adaptation to climate change resulting from global warming.

All of SCA's products contribute to the sustainable transition of society by replacing fossil materials with products based on renewable materials from responsibly managed forests. Despite this, most of the company's products are not included by the existing version of the EU Taxonomy, meaning no technical screening criteria have been defined for these activities.

Examples of SCA's activities that contribute to sustainable development but do not fall within the scope of the Taxonomy's two first objectives are:

1. Production and sales of solid-wood products for construction, renovation and manufacturing of furniture
2. Production and sales of fiber-based packaging material
3. Production and sales of pellets to generate renewable energy

SCA's activities that do fall within the scope of the Taxonomy's two first objectives are:

1. Forest management with sales of timber, silvicultural services and seedlings. Mainly internal sales.
2. Production and sales of energy, in the form of tall oil, electricity and district heating
3. Logistics services such as transport by ships, trucks and trains

The forest is at the core of SCA's operations and SCA's forest management is deemed to meet the technical screening criteria of the Taxonomy, but since the wood raw material is used internally the revenue is excluded from the mandatory reporting. This

means only a very small portion of SCA's total sales may be included in the key indicators when calculating the proportion that is Taxonomy-eligible and the proportion that is Taxonomy-aligned.

SCA's business model is built on the integrated value chain that begins in its own forests. A fairer view of the company can be obtained if forest management is included in the assessment. As a voluntary disclosure, SCA has therefore chosen to also report the eligible and aligned share when internal sales are included. In addition to forest management, internal sales also include logistics services, which SCA Logistics is responsible for and sells to SCA's business areas.

The forests also represents the major part of the company's capital and SCA has therefore chosen to also report the proportion of capital employed that meets the technical screening criteria of the Taxonomy.

Outcome 2022

A more detailed description of the activities included in the calculation of key indicators for the mandatory disclosure is reported on pages 170–172. At present, almost all of SCA's net sales consist of economic activities that are non-eligible under the Taxonomy. The proportion that is eligible is therefore small, 8%. 56% of this portion meets the technical screening criteria and mainly includes forestry services and sales of energy. The portion that is non-aligned consists of transport services. When internal sales are also included, 21% of the revenue is eligible and 67% of this is considered to be aligned with the Taxonomy.

Most of the company's capital employed is from SCA's own forests and the proportion of capital that is eligible is therefore high, 76%. Since forest management is deemed to meet the criteria of the Taxonomy, almost all of the capital employed, 99%, is therefore aligned.

Outcome 2022

	Total, SEKm	Based on external sales Mandatory disclosure		Based on external and internal sales Voluntary disclosure	
		Share eligible, %	Share aligned, %	Share eligible, %	Share aligned, %
Revenue (turnover) ¹⁾	23,957	8%	56%	21%	67%
Investments (CapEx)	6,048	29%	91%		
OpEx	1,274	37%	92%		
Capital employed ²⁾	106,347			76%	99%

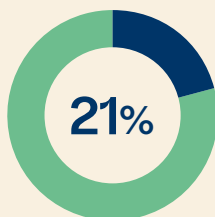
¹⁾ Revenue includes net sales and other operating income.

²⁾ Voluntary disclosure. The calculation is based on revenue from activities that are aligned with the Taxonomy when both external and internal sales are included and this share is then applied to the company's total capital employed.

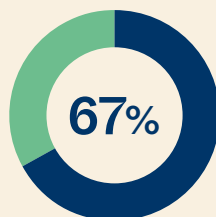
Economic activities included in the EU Taxonomy 2022

Share of eligible and aligned, respectively, based on external and internal sales, voluntary disclosure

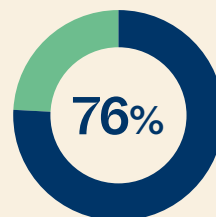
Revenue, eligible



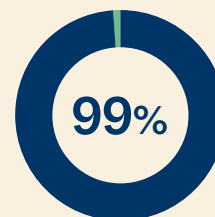
Revenue, aligned



Capital employed, eligible



Capital employed, aligned



Fossil-free world



Climate impact and climate benefits

SCA is involved in limiting global warming and is actively working to increase the company's climate benefit by using the forest as a base to reduce society's dependence on fossil material and related energy types. This includes increasing its own forest's uptake of CO₂ from the atmosphere, by developing and increasing production of renewable products that replace fossil alternatives and by reducing fossil emissions in the value chain from forest to customer. SCA also enables the transition to fossil-free activities for others by providing renewable energy in various forms. SCA has developed a model to describe the total climate benefit contributed by the company's activities, see below, and has a Group target that calls for its climate benefit is to increase from 10 to 15 million tonnes of CO₂ between 2019 and 2030.

The company's total climate benefit is calculated using the model published by SCA in 2019, see sca.com, and comprises three components:

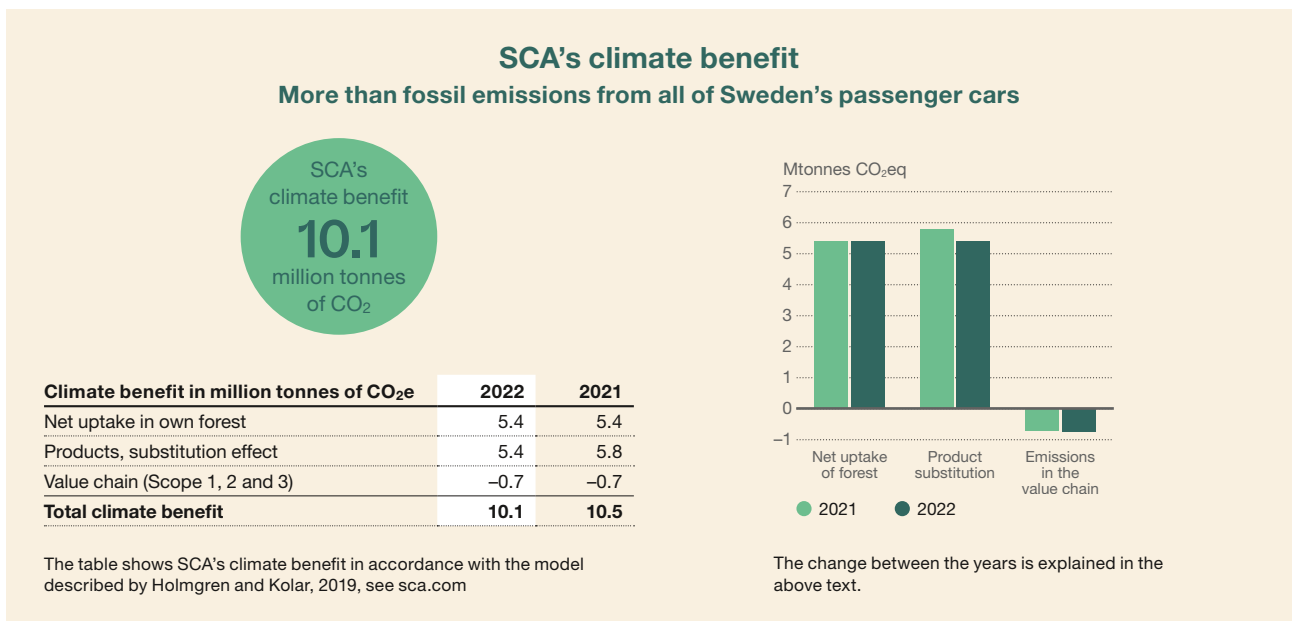
- Uptake in SCA's own forest, where 1 m³fo in net growth corresponds to an uptake of 1.375 tonnes/m³fo CO₂ from the atmosphere. This is the same factor as used in Sweden's national reports. Net forest growth is calculated by taking the forest's annual growth and removing natural losses, pre-commercial thinning and the year's harvest.
- Fossil-fuel emissions throughout the value chain, meaning from the forest operations to the customers' gate. Emissions are calculated using the GHG protocol and encompass Scope 1, 2 and 3.

- The climate benefit that arises when SCA's products replace fossil materials and the equivalent amount of fossil carbon remains in the ground, and is referred to as the substitution effect. The substitution factors used are presented on sca.com.

The model does not take into consideration the climate benefit of the storage of biogenic carbon in the products during their service life nor that fiber is recycled and used several times.

Climate-positive operations

SCA is already a climate-positive company as its own forest absorbs several times more than the emissions from all of its own value chain in the form of greenhouse gases. In addition, there is also the substitution benefit from the company's products. In 2022, SCA's total climate benefit amounted to 10.1 (10.5) million tonnes CO₂. This represents a slight reduction compared with 2021 due to lower external deliveries of energy and containerboard and that publication paper volumes have still not been replaced by increased volumes of containerboard and pulp (CTMP), since these investments are still ramping-up. Fossil emissions in the value chain, Scope 1–3, increased slightly, 3% compared with 2021, but decreased by 18% compared with the base year of 2019. The increase was primarily due to increased measures on forest roads and a slightly higher use of fossil fuels in industrial processes. Emissions from transportation continue to decline. The specific emissions calculated as tonnes of greenhouse gases per tonne-kms transport performed decreased by 3% compared with 2021.





FOSSIL-FREE WORLD

Net growth in SCA's forests bound 5.4 (5.4) million tonnes of CO₂ in 2022. In 2022 there is also a contribution from Baltic holding. This contribution was negligible in previous years compared with the net uptake in the Swedish forest holding. Growth can be enhanced through responsible and active forest management, the development of seedling material and planting methods, the use of fast-growing contorta pine on suitable land and through fertilization. The rate of harvesting is lower than the growth, which leads to net growth and thereby a net uptake of CO₂ from the atmosphere.

The company's products provide climate benefit as they replace fossil alternatives or materials with a greater climate impact, such as steel, concrete and plastic. In 2022, the substitution effect amounted to about 5.4 (5.8) million tonnes of CO₂. In addition, there is the effect of the removal of CO₂ from the atmosphere for many years when wood material is used in buildings or furniture, for example, or when fiber-based packaging and paper is collected and reused as recovered fiber. More than 90% of the company's solid-wood products are made into long-lived products. Continued work with innovation and development will

provide new opportunities to replace fossil materials and thereby further increase climate benefit from forest-based products.

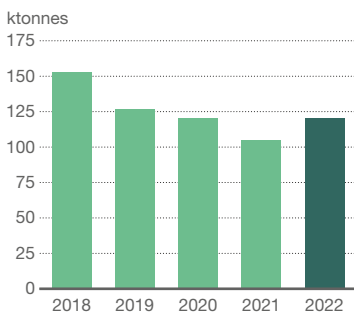
SCA's objective is to make the entire value chain fossil-free. One interim target is to halve fossil emissions between 2019 and 2030, which is in line with the Paris agreement's 1.5°C target. Through systematic work with efficiency enhancements and a transition to biofuels, emissions from SCA's industries have decreased and industrial processes are today almost entirely fossil-free. The emission of greenhouse gases across the value chain amounted to 0.74 (0.72) million tonnes of CO₂e, which is a decrease of 18% (21) compared with 2019. See also the comment above. The investment to increase kraftliner capacity at Obbola, which began operating during the year, will remove another source of fossil oil of approximately 8,000 m³, corresponding to approximately 22,000 tonnes of CO₂e in Scope 1, when it reaches full capacity. The transition to biofuel for heating greenhouses at the nursery reduced Scope 1 emissions by about 1,000 tonnes of CO₂e. These examples also contribute toward a reduction of approximately 1,900 tonnes of CO₂e in Scope 3.

Greenhouse gas emissions in thousand tonnes of CO₂e

Scope	2022	2021	2019 ²⁾
Scope 1: Direct emissions from industrial¹⁾ processes	261	240	278
of which, freight transportation	46	48	51
of which machinery	56	44	50
Scope 2: Indirect emissions from purchased electricity and district heating	46	40	58
Scope 3: Emissions in the value chain	433	440	571
of which category 1: Purchased goods and services	158	140	141
of which category 3: Fuel and energy-related activities	47	48	59
of which category 4: Upstream transportation and distribution	223	249	363
of which category 5: Waste generated in operations	4	3	3
of which category 6: Business travel	<1	<1	4
Total for scopes 1–3	740	720	907

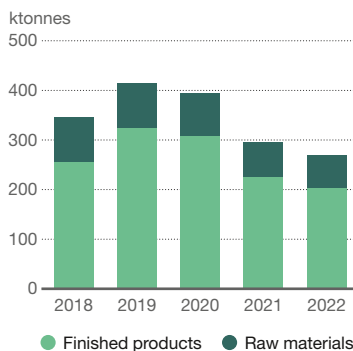
¹⁾ Industrial processes refer to production facilities, forestry operations and own logistics operations.
²⁾ Refers to base year.

Carbon emissions from industry, fossil CO₂



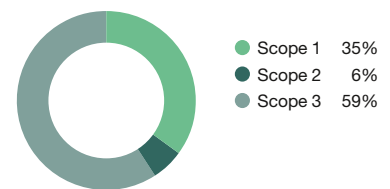
SCA is working actively to reduce fossil-fuel emissions and emissions have been almost halved since 2010. In 2022, emissions grew due to a temporary increase in oil use.

Carbon emissions from transportation, fossil CO₂



In 2022, emissions from transportation decreased by almost 10%, due primarily to a lower share of transportation to other continents and lower volumes as a result of the discontinuation of publication paper operations.

Greenhouse gas emissions in the value chain



In 2022, fossil emissions from the entire value chain – from forest operations to the customers' gate – amounted to about 0.74 million tonnes of CO₂e, a decrease of 18% compared with the base year of 2019. The target is to reduce emissions by 50% by 2030.

The total positive climate benefit from SCA's operations was 10.1 million tonnes of CO₂, see above. Scope 1 includes emissions from SCA's own vessels.

FOSSIL-FREE WORLD

Toward a fossil-free value chain

Some 41% (39) of fossil emissions in the value chain are from own operations and from purchased energy while about 59% (61) are from sources outside the company's facilities. The single largest source is transportation which accounts for 37% (42) of total emissions. The company is striving in various ways to reduce climate impact, for example through energy-efficiency measures, choice of fuel and the optimization of the logistics chain, as well as choice of transport mode, load utilization, optimization of transport route and ecodriving. Electrification has begun of terminal work and road transport by truck. During the year, the world's first electric timber truck began operating to transport wood from the terminal to Obbola. Work is ongoing to further develop the action plans for the company's operations.

Major opportunities to contribute to reducing climate impact and increasing circularity

SCA's products are renewable and enable greater circularity and reduced climate impact, and are thus important in the transition to a sustainable society and sustainable consumption. In addition to the climate benefit from the company's products, SCA

enables access to renewable energy by delivering surplus heat from the company's plants as district heating to local municipalities, selling pellets and unprocessed biofuels mainly for heat production, renewable electricity, tall oil that is refined into bio-fuels and by leasing out land for wind power production. SCA also invests in its own wind power production and the first wind farm was acquired at the end of the year.

In 2022, 2.0 (2.5) TWh of biofuel was sold and district heat deliveries amounted to 0.4 TWh (0.5), corresponding together to the heating requirements of approximately 160,000 homes. At the end of 2022, installed wind power capacity amounted to 7.2 TWh (6.5) per year. Through its energy efficiency, the expanded pulp mill in Östrand contributes to a surplus of green electricity of 0.4 TWh (0.4) that is sold to the grid, which corresponds to a midsize power station.

Through collaboration and innovation, the company is constantly striving to identify new uses for its waste streams as a means to further increase circularity and climate benefit. One example is tall oil that is refined into liquid biofuel.

SCA and Scania have developed the world's first electric timber truck with a capacity of 80 tonnes. The electric timber truck began operating in 2022 – an important step toward making heavy transports fossil-free.



VALUABLE FORESTS

Valuable forests



Responsible forest management

The forest is at the core of SCA's operations. SCA's goal is that the forests remain at least as rich in biodiversity, nature experiences and raw material in the future as they are today. SCA conducts responsible, long-term and profitable forest operations that have resulted in SCA having well-managed forests that contribute to biodiversity as well as conservation and recreational values, while in parallel the standing volume is growing in the forest and an increasing volume of renewable raw material can be harvested.

Nature conservation is a natural part of the way SCA manages the forests – also in forests that do not currently have any particular conservation values. This means that nature conservation is always part of the forest operations, such as road construction, site preparation, pre-commercial thinning, thinning, fertilization and regeneration felling. SCA refers to this as basic retention.

Forest processes are long. It takes almost a century for a tree to become mature enough for harvesting and many processes in nature take even longer. SCA's forest management planning therefore extends across 100 years. Each harvested tree is replaced by at least two new trees. During 2022, SCA's nurseries delivered 98 (112) million seedlings, of which some 40 (49) million were planted in SCA's own forests. SCA offers a range of forestry services to private forest owners, one of which is "New forest with regeneration guarantee" where SCA takes full responsibility for site preparation and planting and conducts a regeneration control, at the latest, two years after the planting.

Read more about how SCA conducts responsible forestry on [sca.com](https://www.sca.com).

Certified forest management

SCA's forests have long been certified in accordance with international forest management standards, Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), which aim to ensure responsible forest management. SCA contributes together with other social, environmental and economic stakeholders, in developing FSC's and PEFC's standards and operations. SCA's forest operations received the FSC certificate in 1999 and the PEFC certificate in 2011.

Responsible raw material sourcing

All wood raw material used in SCA's products must originate from responsibly managed forests. This applies in SCA's own forest and to the wood purchased from other forest owners. When sourcing wood, SCA works systematically to ensure good working conditions and appropriate nature conservation measures, also outside the company's own forests.

All wood raw material bought by SCA is therefore covered by Chain of Custody (CoC) rules and must at least fulfill the requirements of the FSC Controlled Wood Standard (FSC CW). This means the wood must not come from controversial sources, which includes wood from illegal logging, from forests with high conservation values where these values are threatened by forest operations and forests where the rights of indigenous people or human rights are being violated. SCA's timber procurement is third-party certified according to PEFC and FSC Chain of Custody. SCA works to continuously increase the percentage of wood raw material from certified forests and encourages private forest owners with whom SCA does business to certify their forests. SCA also encourages non-certified landowners to apply what is referred to as SCA retention when harvesting their forests. This on-site retention is equivalent to what is applied in SCA's

Responsible fiber sourcing



- Certified forest management 60%
- Chain of custody certified with SCA retention 9%
- Chain of custody certified 31%

SCA's timber unit and marketing function are responsible for sourcing wood raw material for the production of wood, pulp and paper products. The raw material sourcing is third-party certified according to PEFC and FSC Chain of Custody. The largest amount of raw material is derived from certified forest operations. All raw material from the company's own forests is included in this share. The remaining volumes are CoC-certified in accordance with FSC CW, of which half is from felling where the proportion of forest set aside for nature conservation corresponds to FSC requirements (SCA retention). SCA encourages its external suppliers to certify their forest management to increase access to certified raw materials.

Country of origin, percentage of consumed	2022	2021
Sweden	95.5%	95.1%
Baltic region	3.4%	4.5%
Finland, Norway, Denmark	1.1%	0.4%

SCA's production facilities used 10.4 million (10.7) cubic meters of wood raw material in 2022. Almost all wood raw material is sourced from northern Sweden.

VALUABLE FORESTS

own forests, and corresponds to the FSC standard. In 2022, 60% (60) of wood raw material consumed was from FSC or PEFC certified forest operations and 9% (12) was harvested by SCA on the land of private forest owners, with SCA retention. The remaining volume is sourced in compliance with the requirements in FSC CW. The decrease in certified volume is mainly a result of a smaller share from SCA's own forest. In addition, a reduction was also noted of harvesting by private forest owners, with SCA retention.

Rights of indigenous people – joint planning with reindeer husbandry

Some 30 Sami communities have legal and customary rights to herd reindeer on SCA's land. The new FSC standard applied from October 2020 includes rules to provide a special collaborative process. This offers reindeer herders better opportunities to present long-term needs and plans, and for forestry and reindeer herding to be jointly planned over longer periods of time and over larger areas. Joint planning is based on the principle of Free Prior and Informed Consent (FPIC) of indigenous peoples, and is to enable coexistence between forest operations and reindeer herding in the forest landscape. SCA puts great care and a large amount of resources into joint planning with the reindeer herders. Issues covered include the time for harvesting, site preparation method, fertilization and choice of tree species when planting new forest. Pre-commercial thinning, thinning, brash management (the use of branches and crowns for bioenergy) and alternative forms of harvesting are also highlighted as positive and requested measures in particularly important areas for reindeer herding.

One important question for Sami communities is regeneration with contorta pine. The contorta pine has a high growth rate and forms dense forest that can cause problems for reindeer herding. The choice of tree species in regeneration is included in the joint planning with affected Sami communities, as well as measures required in the existing contorta stand to facilitate reindeer

herding. About 15% of the company's forest is made up of contorta pine.

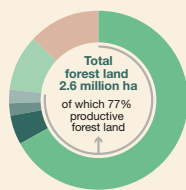
In 2022, 37 (80) meetings for joint planning took place with 20 (28) Sami communities, with discussions concerning approximately 4,600 (4,800) forest holdings. The coronavirus pandemic severely restricted opportunities for joint planning. The cancellation of joint planning meant decisions on forestry measures were postponed.

Biodiversity

The development and preservation of biodiversity in the company's forests is the most important environmental target in the management of the forest. Areas that provide vital habitats for sensitive flora and fauna are either excluded from harvesting through voluntary set-asides, enhanced through active conservation measures, or maintained using various levels of on-site retention. Forest set aside from harvesting or harvested using continuous cover forms of forest management are included in our ecological landscape plans, which SCA has developed for its entire holding. The ecological landscape plans are continuously revised to achieve the highest conservation value, entailing that forests with the highest conservation values are set aside or harvested using continuous cover forms of forest management. This work is dependent on high level of expertise among employees, extensive inventories of conservation values in the company's forests and stakeholder dialogues. For many years, ecological landscape planning has included dialogue with the county administrative boards and the Swedish Environmental Protection Agency about forest that is best suited for formal protection.

SCA also has five conservation parks. The parks are larger forest areas that SCA manages to benefit sensitive flora and fauna and highlight cultural heritage and recreational values. Stakeholder dialogues are held every year on how the forest should be managed with regard to the different values in the park. A diverse range of measures and management methods are tested in the

Distribution of areas with varying levels of nature conservation measures¹⁾



The level of on-site retention indicates the balance between production and nature conservation, or in certain cases social values. For example, >50% retention leaves >50% of the stand untouched after harvest.

Type of consideration	Share of total area, %	Share of productive forest land area, %		
		Ambition	2022 (2021)	Consideration share 2022 (2021)
● Basic retention (~15% retention) – of which saved stand of seed trees (30–80 tree/hectare)	67	87	88.5 (88.7) 1.2 (1.1)	16.9 (16.2) ⁴⁾ 20.0 (17.5)
● Voluntary set-asides (100% retention) ²⁾	5.4	7	8.3 (8.3)	100 (100)
● Combined targets (>50% retention) ³⁾	2.3	3	1.7 (1.6)	5 ⁵⁾
● Adapted retention (15–30% retention) ³⁾	2.3	3	1.4 (1.3)	5 ⁵⁾
● Non-productive forest land (100% retention, protected)	10	-	-	100 (100)
● Non-forest land (not cultivated)	13	-	-	-
Total area		2.6 million hectares	2.0 million hectares	

¹⁾ Percentage of area set aside, managed with varying levels of retention or consisting of non-forest land, of the total landholding in Sweden.
^{2, 3)} The outcome shows the percentage of SCA's productive forest land that was included in ecological landscape plans at the end of 2022 for the purpose of ²⁾ promoting biodiversity, ³⁾ protecting biodiversity at stand level with mainly various continuous cover methods or adapted retention. The voluntary set-asides, combined targets and adapted retention are presented on sca.com.

⁴⁾ Shows the proportion of on-site retention (areas of productive forest land > 0.1 hectares) left by regeneration harvesting operations. This also includes a minor portion of on-site retention left in harvesting with adapted retention. Distributed trees and smaller tree groups are not reported.
⁵⁾ Share of on-site retention in harvesting stands with combined targets and adapted retention cannot yet be reported separately in our reporting system. This option will be developed in 2023.

VALUABLE FORESTS

parcs to strengthen the existing conservation values and create new ones.

There are an estimated 7,400 forest species in northern Sweden, where SCA has its forest holding. In 2020, SCA collaborated with the Swedish Species Information Centre and created a list of species that were in any way at risk of being adversely impacted by forest operations. This list includes 1,002 species, of which 917 are red-listed in one of the NT, VU, EN or CR categories¹⁾. A review of all red-listed species on the list was conducted with the assistance of external expertise in order to develop and increase the precision of work to preserve and expand biodiversity conservation measures. This review, which was based on the species that were found in SCA's own landholding at that time, concluded that 203 species can be considered particularly affected by SCA's forest operations and therefore species that SCA has a particular responsibility for. We refer to these species "SCA's species commitment".

Almost all species groups are represented but the protected species are predominately fungi, mosses and lichen as well as insects and certain birds.

Based on their ecology, a number of habitats were identified on which the selected species are dependent. By focusing our nature conservation activities on these habitats, we can work

in a resource-efficient manner together with other landowners and authorities to create conditions for the survival of these species in the managed forest landscape.

As part of the species commitment, SCA also identified species that require active conservation measures in order to survive over the long term. Some 30 protected species are included in the ÅGP action program²⁾. These active biodiversity measures include prescribed burning, creating dead wood or the restoration of water bodies as well as expanding habitats on which the species is dependent, such as by creating deciduous forests. Far more than the 30 highlighted protected species will benefit from the implemented measures.

In 2022, a number of the landscape sections were identified by finding out where the selected species currently thrive. The aim is to target initiatives in forests where the effect will be most significant. In the selected forest landscapes, activities are performed in areas that are voluntarily set aside or harvested using continuous cover forms of forest management as well as in forests used for timber production. In 2022, nature conservation measures have been planned for approximately 600 hectares of forest intended for timber production (pre-commercial thinning, thinning, regeneration harvesting). The precision of our nature conservation activities can be improved through greater insight into our protected species and their habitats.



In 2022, our nature conservation strategy was reworked and in conjunction with this, we established a new supporting sustainability target for biodiversity:

“We are to work proactively to protect biodiversity by increasing the number of habitats of special importance³⁾ for SCA's protected species.”

¹⁾ NT = Near threatened, VU = Vulnerable, EN = Endangered, CR = Critically endangered.

²⁾ The ÅGP action program for threatened species and habitat types has been drawn up by the Swedish Environmental Protection Agency or the Swedish Agency for Marine and Water Management.

³⁾ The following important habitats were prioritized in 2022: Deciduous forests with dead wood; light pine forests with dead wood continuity; open sand pine forests with tree continuity and fire-razed areas.

Measures to promote biodiversity 2022

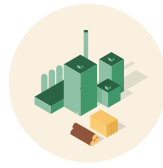
Measures taken	Number of hectares	% of regeneration harvesting area 2022 (2021)
Conservation measures in voluntary set-asides	185	0.8 (1.8)
Measures taken as combined targets	619	2.7 (1.7)
Measures taken as adapted retention	1,821	8.1 (6.8)
Seed tree stands retained for the future	1,077	4.8 (4.5)
Prescribed burning for biodiversity conservation	28	0.1 (1.1)
Wetland restoration projects ¹⁾	194	

¹⁾ The restoration of open wetlands by refilling 22 kilometers of ditches. 100 hectares were restored in 2021.

The table shows forest management measures conducted in 2022 that have benefited biodiversity in relation to the harvested area within SCA's forest holding the same year. Various measures are implemented to recreate habitats and valuable substrates, with prescribed burning and wetland restoration as two examples. Burning takes place at both clearcut areas and as a regeneration method and in forests set aside for nature conservation purposes. Wetland restoration was performed in open wetlands to restore hydrology after past drainage.

A conservation value assessment on site is carried out before all regeneration harvesting and a complementary inventory is performed by personnel with specialist expertise in forests that may contain high conservation values.

Efficient use of resources



We use the entire tree

SCA shall conduct its operations in a manner that has the least impact on people and the environment, and to eliminate wastage, Zero waste.

SCA strives to make use of the entire tree and all of our waste streams. The most valuable part of the tree is processed in the sawmills into wood products. Some of these become window components, painted cladding or shelves. More than half of the log is used for solid-wood products. The remainder becomes chips for pulp production or sawdust that is processed into pellets. The bark is used in energy production.

In addition to finished goods, SCA's mills generates by-products, such as bark and tall oil, and waste streams that contain, for example, lignin or metals from wood raw materials. Most waste streams, such as ash, green liquor sludge and lime mud is today used for soil stabilization or is handled as waste, while by-products are largely used in energy production. SCA's target is to increase the added value and circularity for these streams by finding new uses. SCA is continuously striving to optimize its resource efficiency and energy performance by developing its processes, products and practices.

All units are to work to improve resource utilization through efficient processes, more recycling and by investigating new uses for their waste streams. SCA's units actively monitor their energy usage, set targets for improving their energy efficiency and take steps to realize the targets.

Product development and innovation

SCA conducts structured innovation work in compliance with the strategic priorities. Innovation work is integrated into sustainability work and is about creating as much value as possible from the entire tree partly through greater utilization of raw materials and production efficiency and partly by moving the product portfolio to increase added value. Innovation work leads to greater customer value through the development of new products and application areas that improve climate benefit and resource efficiency through forest-based products.

During the year, SCA Wood launched contorta as a third type of wood for wood products where homogeneity and a high proportion of healthy knots are important properties. Through the development of a more precise identification of the properties of different forest holdings, contorta has become a type of wood used for long-lived products in the production of wood products. Another example is a new digital tool that facilitates the planning of landings in the forest. The tool helps to create safe and efficient timber landings that take into account several factors that

affect the suitability of a landing, such as its proximity to water-courses or areas with conservation or cultural values.

Life cycle perspective

One important tool in SCA's corporate responsibility work is the Resource Management System (RMS). This system monitors resource consumption and environmental impact for production facilities, transportation of raw materials and finished products. Using life cycle assessments, the climate and environmental impact of the SCA's products can be calculated and evaluated. Calculations show that today's products already have a small carbon footprint. The greatest climate effect is achieved by using the products to replace other products with a larger carbon footprint.

Product safety

SCA wants to ensure safe and high-quality products and services for its customers and consumers, produced and delivered with respect for people and nature. Products must be safe for the user and for the environment and meet the customers' and authorities' product safety requirements. In product and process development, the precautionary principle is used.

Raw materials and chemicals used in the products or in the company's operations are continuously assessed and SCA's Supplier Standard sets high demands on the product safety of input goods. Based on available knowledge, we work actively to identify and replace any products that are subject to substitution requirements. The work is coordinated through the Group's Chemicals Management Network.

Raw materials

The foundation for SCA's products is fresh wood fiber. In addition, smaller quantities of recovered fiber and inorganic material in the form of calcium carbonate are used in the manufacture of various paper products. 51% (52) of wood raw material used is sourced from SCA's own forest and own sawmills.

Recovered fiber

Kraftliner is a fresh fiber-based product mainly used in the outer, smooth layers of corrugated board boxes. In addition to fresh fiber, small amounts of carefully selected recovered fiber are used. Kraftliner is used in packaging for very demanding applications, for example packaging for long transport distances, heavy goods, humid conditions or with special requirements for purity. Since fibers cannot be recovered an infinite number of times, a continuous inflow of fresh fiber is needed. Fresh fiber from sustainable forestry is renewable and recyclable and together with recovered fiber these contribute to a circular ecosystem.

EFFICIENT USE OF RESOURCES

Water

Water issues are increasingly important from a resource efficiency perspective even if Sweden is a country with low risk for general water shortages.

SCA's industrial plants are located in northern Sweden in areas with a plentiful supply of water in the form of large rivers and almost 100% of the supply of water to the plants is surface water from these watercourses. The remaining water is from municipal water systems. SCA is working purposefully and effectively to reduce water usage and is aiming to reduce process water use by 5% by 2030.

Almost 100% of all water used is returned to the recipient, which for SCA is the Gulf of Bothnia. The greatest share of the water, 70%, is used as cooling water and has no contact with the process but can be discharged directly at a slightly elevated

temperature. Some 30% of the water is process water reused in several stages before it is eventually treated both mechanically and biologically before being discharged. Mechanical treatment removes suspended solids, sand and particles. Biological treatment reduces dissolved solids and pollutants that affect chemical oxygen demand (COD).

By 2030, SCA is aiming to reduce particle emissions to water by 10%. Emissions to water relates to suspended solids, COD, chloroorganic compounds (AOX), nitrogen and phosphorous. SCA monitors water consumption and the quality of effluent water with inspection and control programs.

Air

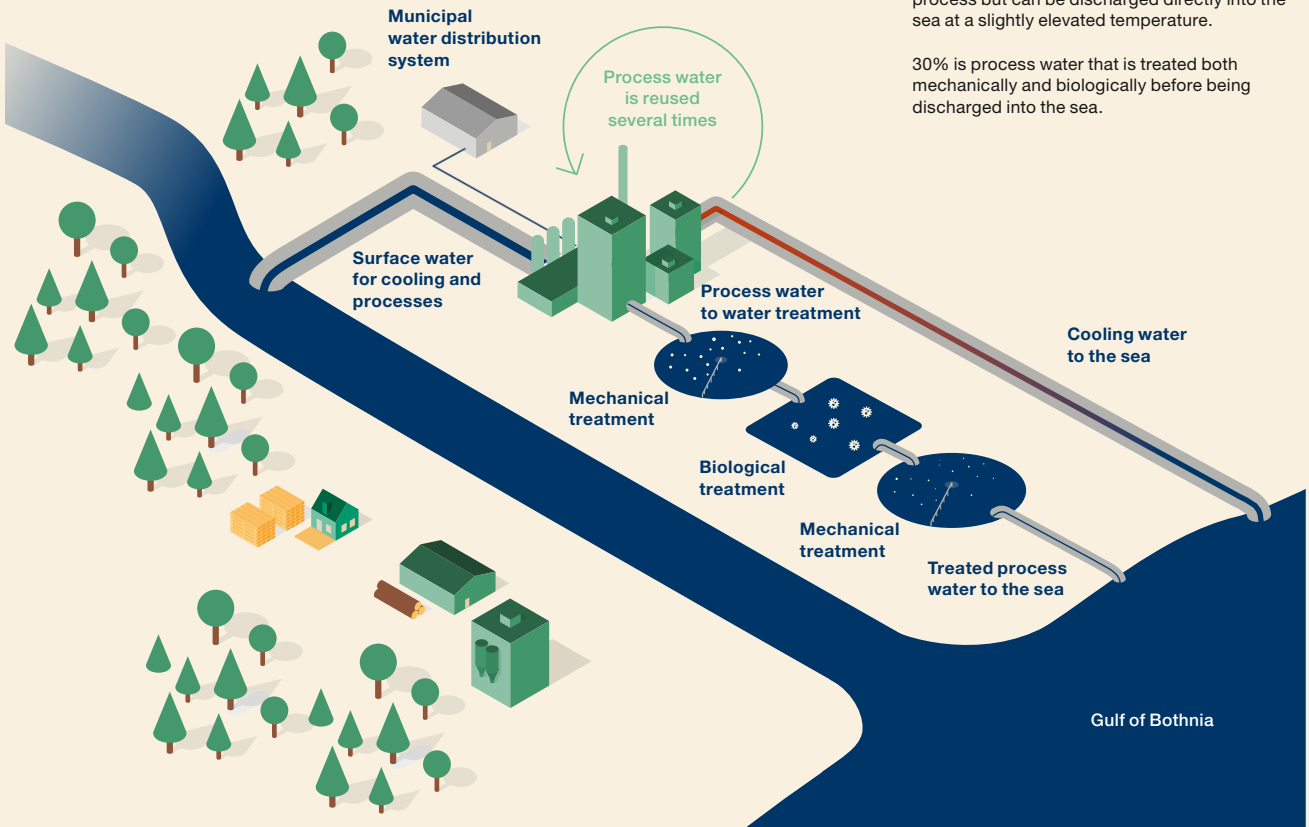
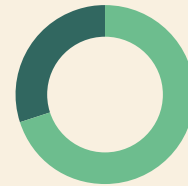
The company's total emissions are influenced by the level of production, product portfolio and uniformity in production. SCA's production facilities possess environmental permits, which

Responsible water management

SCA's plants are located in northern Sweden in areas with plentiful supply of water and almost 100% of the supply of water is from surface water from the rivers Piteälv, Umeälv and Indalsälven. SCA's total withdrawal of water from the three rivers constitutes as little as 0.4% of their total annual average flow.

Almost 100% is returned to the recipient Gulf of Bothnia.

SCA's industries are located in areas with low water stress – now and in future scenarios.

**Distribution of used water**

70% of SCA's water intake is used as cooling water and has no contact with the manufacturing process but can be discharged directly into the sea at a slightly elevated temperature.

30% is process water that is treated both mechanically and biologically before being discharged into the sea.



EFFICIENT USE OF RESOURCES

regulate emissions, among other things. Air emissions comprise all combustion units at SCA's production facilities, regardless of fuel, as well as emissions from purchased electricity and thermal energy. When energy is supplied to an external facility, air emissions are reduced in the report in relation to the energy amount delivered. Emissions to air are reported as dust, NO_x, SO₂ and fossil CO₂.

A large portion of air emissions are generated by transportation. SCA works to reduce emissions by increasing the fill ratio, training in ecodriving, applying various techniques to reduce fuel consumption, and prioritizing transport means with less environmental impact.

Transportation

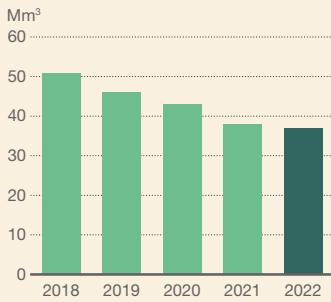
Raw materials are transported to SCA's production plants and finished products are delivered to SCA's customers. SCA uses

ships, rail and road transportation depending on distance and the transport systems accessibility, in order to achieve the lowest climate impact. The choice of fuel is reviewed as renewable fuels become more available.

The largest share of transportation is conducted by ship with SCA-owned RoRo vessels, or other cargo ships. SCA uses external suppliers for most of its road transports. Great emphasis is placed on maximizing load utilization in trucks and ships, to minimize energy use and transport emissions. Heavy vehicles, known as 74-tonne vehicles, contribute to more efficient transportation with lower emissions. The 74-tonne vehicles are used for timber transportation if possible considering the bearing capacity of road bridges.

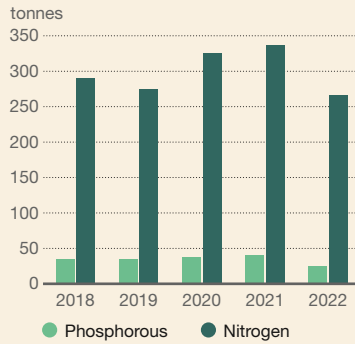
In 2022, electric trucks were tested for heavy transports of wood raw materials to Obbola and tests are also in progress with

Process water use



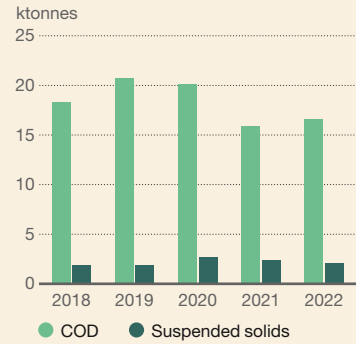
Process water is the portion of water intake that has contact with the process and is treated in a wastewater treatment facility before the water is discharged into the sea.

Emissions to water from industry, phosphorous and nitrogen



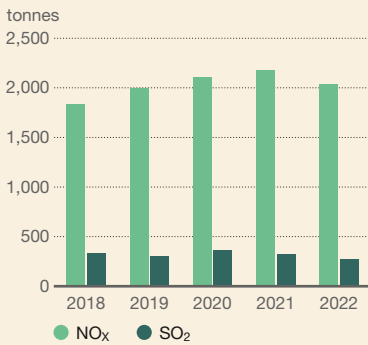
Emissions of phosphorous and nitrogen decreased in 2022 due to the efficiently functioning wastewater treatment facilities, particularly at the Östrand pulp mill and the Munksund paper mill. The new wastewater treatment facility in Munksund was optimized with a good result.

Emissions to water from industry, COD and suspended solids



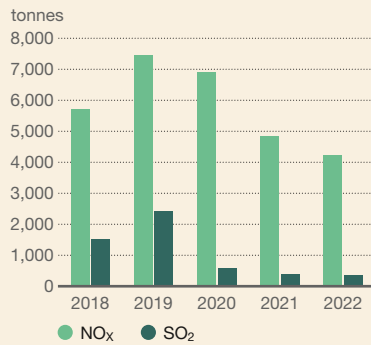
Emissions of COD increased in 2022 compared with the preceding year, which was due to a breakdown at Obbola's wastewater treatment facility. Suspended solids decreased during the year.

Emissions to air from industry, NO_x and SO₂



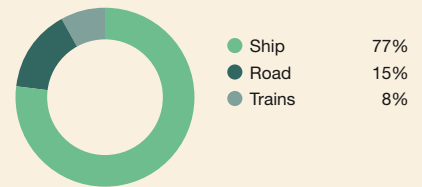
Emissions of nitrogen oxides and sulfur dioxide from SCA's industries decreased in 2022 due to the restructuring of the Ortvikén site. The Munksund paper mill also reduced its emissions.

Emissions from transport activities, NO_x and SO₂



SO₂ emissions have decreased due to the new global regulations from 2020 that mean sulfur levels in marine fuels must not exceed 0.5%. Prior to this, a limit was only in force in the Baltic Sea and North Sea of 0.1%.

Distribution of transport work



Sales to other continents have fallen slightly, which has led to a minor decrease in the proportion of ship transports. For land transportation, approximately one third is conducted by rail.

EFFICIENT USE OF RESOURCES

electric forklifts at Bollsta sawmill. Another example is a comprehensive electrification study at SCA Logistics' Sundsvall terminal that included all forklift handling operations at the terminal. This initiative highlights the technical, environmental and economic implications of electrification.

Transportation by rail is a carbon-efficient mode of transportation, which is prioritized wherever possible. The proportion of timber transportation by rail has increased in recent years. However, access to a reliable railway network limits options. For finished goods, block trains are used to transport kraftliner between Piteå and Umeå and onward to a central warehouse in Skövde. The northbound block trains transport recovered fiber, which is used as raw material in production. This approach means the block trains are fully loaded in both directions.

Energy

Calculations for energy use at a production facility include purchased energy (heating, electricity and fuel), energy generated from wood, liquor, bark, sludge and waste paper, and internal generation of electricity. A large portion of the energy used by SCA comes from the incineration of wood residuals and from electricity produced through co-generation. Fuel consumption at SCA's production facilities is 95% (96) fossil-free.

Any internally generated electricity that is not used internally is supplied to the national grid. SCA also delivers energy to the district heating system by utilizing secondary heat from the process and in this way replaces fossil fuels at municipal heating plants.

Since 2003, SCA's energy-efficiency program, ESAVE, has contributed to energy savings and improved efficiency. The target for the current 2020–2025 program period is to implement energy-saving measures of at least 35 GWh per year. An ESAVE network is established and comprises energy surveys, investments

in energy-efficient technical solutions, a focus on continuous improvements and promoting greater awareness among employees. Target breakdowns are carried out centrally and each business area is responsible for their own action plans to achieve the targets, and for ensuring that energy-saving activities are initiated and undertaken. An evaluation and follow-up of work and outcomes are conducted every quarter, where best practices are shared and experiences exchanged. Each year, the network has different focus areas to broaden knowledge within the company and ensure proactive work to enhance energy efficiency. All new equipment should be energy efficient by design. In 2022, SCA had seven units subject to the EU Emissions Trading System (EU ETS).

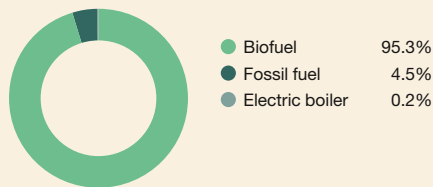
In 2022, SCA delivered 1,428 TJ (1,714) of thermal energy externally and purchased 479 TJ (473). 178 TJ (201) of energy sold was steam. No cooling was purchased or sold.

Waste and waste streams

SCA takes a life cycle approach and works proactively with resource efficiency. By-products and waste streams are utilized as far as possible and solid waste is mainly recycled through use as raw material in other processes, as building materials or for energy recovery and is primarily bio ash, sludge, organic waste and plastic. The company's target is that by 2030 all non-hazardous waste is to be recycled as efficiently as possible. About 96% of the total waste volume is normally recycled. This has enabled new uses and in some instances completely new products, either in our own operations or with an external party. The company is continuing its work to optimize cost reductions, value creation and processing levels for the recycled waste.

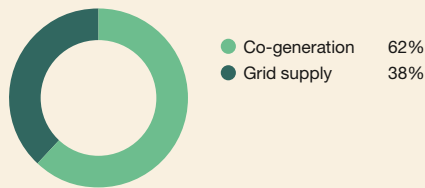
A minor share of the total waste is hazardous waste, for example waste oil, strip lights and batteries. Hazardous waste is sent to authorized subcontractors using approved transport companies. This waste is not included in the proposed targets.

Distribution of fuel supply



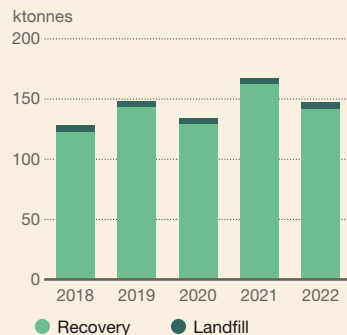
In 2022, SCA's fuel consumption for steam production, was 95% (96) fossil-free. A decrease compared with last year. Refers to Swedish production facilities.

Distribution of electricity supply



SCA's production facilities generate electricity using co-generation. The remainder is purchased from the national grid. The Östrand pulp mill generated a surplus of electricity that is sold externally. There was a decrease in electricity purchased in 2022 due to the discontinuation of publication paper production at Ortviken.

Non-hazardous waste



Solid waste is mainly recycled through use as raw material in other processes, as construction materials or for energy recovery and is primarily bio ash, sludge, organic waste and plastic. A minor share is sent to landfill.

Total energy consumption¹⁾

MWh	2022	2021	2020
Fuels	9,377,609	10,693,523	9,956,193
Electricity	664,533	863,853	2,161,147
Heating	134,310	132,189	125,929
	10,176,451	11,689,565	12,243,268
of which renewable sources	9,492,813	11,054,313	11,218,586

Includes production facilities, forestry operations and own logistics operations.
¹⁾ For data collection, see page 173.

Sustainable development



The forest is at the core of SCA's operations and the company's business model is to sustainably create the highest possible value from, out of and around this unique resource. With the force of the forest, we contribute to a sustainable future and achieve this through responsible forest management, resource efficiency and renewable products.

SCA plays an active role in a variety of different ways in local, regional and global development. SCA's large forest holding and extensive industrial operations make the company a visible and important local and regional player. Significant investments in industrial capacity and responsible forest management create value for the company and for other forest owners in the region. One important factor in attracting companies to the region is sustainable transportation. SCA is constructing a new container port in Sundsvall, directly adjacent to the logistics park initiative by Sundsvall Municipality, and will be part of one of Sweden's most important transport hubs.

Viable local communities

SCA must evolve with the world around it in order to create value in the communities of which the company is a part. SCA's community involvement therefore has a clear link to the company's values, strategic priorities, expertise, operations and geographic presence. SCA engages in continuous dialogue with various stakeholders about how the Group can contribute to the positive development of society as a whole. This includes meetings and dialogue with municipal representatives, local residents, reindeer herding Sami and people who live close to SCA's facilities.

SCA contributes to the local economy in the municipalities in northern Sweden where the company conducts operations. Of SCA's more than 3,200 employees in 2022, 98% were employees in Sweden and the remaining 2% mainly in Europe. In addition to direct payments, in the form of various taxes, SCA generates the preconditions so that trade, services and public services can continue to exist in smaller rural communities. SCA's industries, where one very important element of the supply of raw material is the purchase of timber from private forest owners, create jobs

in rural areas, both directly and indirectly. SCA's forests and the forest roads SCA builds contribute toward ecotourism, hunting and fishing. Refer to Economic value creation on page 140.

Value creation – in and from the forest

SCA has an important role to play in the transformation to a circular and biobased economy. The concept of sustainability is built around the notion that we use the entire tree to maximize value creation in and from the forest. Thanks to a well-developed methodology and close contact with customers and suppliers, SCA is driving structured innovation work based on the company's strategy and sustainability platform.

SCA's various business areas are independently responsible for their own innovation work, supported by central resources. Projects for the company's business areas, in the fields of solid wood products, paper, pulp, biofuel and green chemicals, are conducted at SCA R&D Centre, which is the company's central unit for these activities. In addition to the development of existing product areas, innovation is also carried out to generate higher product values from the production units' side streams, such as ash, sludge and bark.

SCA endeavors to generate value in the forest value chain. Entrepreneurial innovation and strategic collaboration is crucial in this respect. By supporting entrepreneurship, SCA helps to create conditions for the growth of new companies and jobs. SCA organizes the Forest Business Accelerator program, together with IBM, RISE Processum and BizMaker. The purpose is to create new business opportunities and a greener world by uniting forestry, digitalization and entrepreneurship. Since starting in 2017, 32 startups linked to the forest industry and sustainable development have taken part in the program. SCA is involved in various research and development programs together with universities, research institutes and commercial entities at national and international level. The proximity between SCA R&D Centre and Mid Sweden University in Sundsvall has contributed to several interesting research and innovation projects in the region and to attracting skilled research talent.

Activities for sustainable development

- Supporting associations and local community engagement in sport, culture and other areas.
- Meetings with reference groups at SCA's conservation parks to develop management plans for the parks.
- Principal partner for Sveriges Innovationsriksdag with Sundsvall as host city
- University partnerships to use AI technology for safer maintenance aimed at reducing the risk of accidents.
- Test and evaluation of the world's first electric timber truck in collaboration with Scania and Skogforsk¹⁾.
- Demonstration of the world's first remotely controlled timber loader in a project supported by Vinnova and with participants from Volvo, Telia, Biometria, MiUN and Skogforsk.

- Continued development of SCA Digital Forest Testsite, a 50,000 hectare forest site, which has been laser scanned in various resolutions and provides a basis for development projects in such fields as remote analysis.
- Machine for low-impact replanting of seedlings, a project supported by Vinnova with the participation of Bracke Forest, KTH, LTU and Skogforsk
- Support to newly launched companies, such as Tebrito – a manufacturer of sustainable protein and fertilizer based on insect farming in waste streams.

¹⁾ The project is part of REEL, a national initiative where leading Swedish players have joined forces to accelerate the transition to electric, zero-emission heavy transports on our roads. The initiative is led by CLOSER and is part-financed by the Strategic vehicle research and innovation programme (FFI) through Vinnova and the Swedish Energy Agency.



ENVIRONMENTAL DATA

Environmental data

The table shows environmental data for SCA's production facilities, where SCA's holding is at least 50%. The reporting is more extensive than covered in text and charts. The summation for production in 2020 includes divested operations, Ortviken paper mill and the construction material operations in the UK.

		Total SCA			Total Pulp and paper mills		Total Wood and Energy		Changes at the Ortviken site ¹⁾		Östrand pulp mill		Munksund paper mill				
		2022	2021	2020	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021			
PRODUCTION																	
Paper, pulp and pellets	ktonnes	1,849	1,931	2,434	1,651	1,734	198	197 ²⁾	0	63	858	861	378	378			
Timber and solid-wood products	1,000 m ³	2,112	2,263	2,285			2,112	2,263 ²⁾									
ENERGY CONSUMPTION																	
Electricity																	
Co-generation	GWh	1,012	1,037	852	1,012	1,037	0	0	17	33	678 ³⁾	671 ³⁾	155	183			
Grid supply	GWh	618	705	1,911 ²⁾	445	521	173	183	48	177	0	10	182	155			
TOTAL	GWh	1,631	1,742	2,763	1,457	1,559	173	183	65	209	678	681	336	338			
Fuels																	
Biofuel ⁴⁾	TJ	32,227	32,752	32,679	29,811	30,229	2,417	2,523	497	940	18,593	18,860	5,797	6,074			
Fossil fuel ⁴⁾	TJ	1,532	1,351	1,553 ²⁾	1,365	1,166	167	185	23	102	890	504	131	163			
Electric boiler	TJ	76	123	219	76	123	0	0	25	51	0	0	51	71			
TOTAL	TJ	33,835	34,226	34,450	31,252	31,518	2,583	2,709	545	1,094	19,483	19,363	5,979	6,308			
of which co-generation	TJ	8,273	7,866	7,413	8,273	7,866	0	0	84	156	6,905	6,373	597	703			
EMISSIONS																	
To air																	
NO _x as NO ₂	tonnes	2,039	2,180	2,106	1,936	2,078	103	103	32	67	1,189	1,320	415	436			
SO ₂	tonnes	275	322	360	263	310	11	12	3	7	149	202	80	82			
Dust	tonnes	236	267	260	187	215	49	53	1	4	133	141	31	44			
CO ₂ fossil	ktonnes	120	105	119 ²⁾	107	91	13	14	2	8	69	39	10	12			
CO ₂ fossil, grid electricity	ktonnes	7	9	26 ²⁾	5	7	2	2	1	2	0	0	2	2			
CO ₂ biogenic	ktonnes	3,304	3,330	3,464	3,066	3,120	238	256 ²⁾	48	92	1,912	1,931	605	633 ²⁾			
To water																	
COD	tonnes	16,549	15,925	20,063	16,537	15,891	13	34	206	642	8,795	9,258	1,907	4,616			
BOD	tonnes	3,529	3,026	3,948	3,463	2,963	66	64	0	19	497	718	369	2,010			
Suspended solids	tonnes	2,104	2,353	2,628	2,103	2,352	2	1	59	115	1,044	1,114	281	614			
AOX	tonnes	35	28	24	35	28	0	0	0	0	31	24	2	2			
Phosphorous (P)	tonnes	25	40	37	24	39	1	1	0	1	10	15	8	10			
Nitrogen (N)	tonnes	266	337	325	263	334	3	3	7	28	163	173	56	68			
Effluent water (process water)	Mm ³	37	38	50	37	38 ²⁾	0	0	3	5	19	19	9	8 ²⁾			
Solid waste⁵⁾																	
Landfill	tonnes	5,438	4,183	5,391 ²⁾	5,361	4,148	77	35	0	29	26	33	3,797	2,642			
Recovery	tonnes	141,856	162,538	128,853 ²⁾	136,302	149,882	5,554	12,656	3,771	14,705	94,093	83,391	13,923	16,688			
Hazardous waste	tonnes	2,537	2,253	2,310	1,096	828	1,441	1,424	201	373	335	297	231	97			
RAW MATERIALS AND SOLD BY-PRODUCTS (GROUP TOTAL)																	
Raw materials		2022	2021	2020	External sold by-products					2022	2021	2020					
Wood and sawmill chips	ktonnes	3,300	4,300	4,600	Electricity					TWh	0.40	0.40	0.42				
Recovered paper	ktonnes	270	283	272	District and waste heat					TWh	0.38	0.47	0.33				
Inorganic material	ktonnes	16	44	165	Solid biofuels ⁶⁾					TWh	2.0	2.5	1.7				
Organic fossil material	ktonnes	0	1	8	Tall oil, turpentine					ktonnes	48	47	50				
Water	Mm ³	121	123	142													

¹⁾ Due to the restructuring and rebuilding of SCA's production process at the Ortviken site, no production took place in 2022.

The energy and wastewater treatment facilities were however in operation. Energy consumption and emissions to water and air related to SCA's operations are reported in the table.

²⁾ Correction of minor input error from 2021. No impact on operations.

³⁾ Figure refers to consumption of co-generated electricity. Surplus electricity is sold externally and reported in the table External sold by-products.

⁴⁾ Biofuel includes pellets, bark, black liquor, fiber, sludge and fossil fuel includes oil, plastic reject and liquid petroleum gas.

⁵⁾ In 2022, additional amounts of 1,676 tonnes of construction waste originating from the expansion project in Obbola and 4,883 tonnes related to the conversion in Ortviken were generated. Of this, 95% and 100%, respectively, were recoverable.

⁶⁾ Including volumes from operations where SCA has total responsibility for sales.



ENVIRONMENTAL DATA

Obbola paper mill		BioNorr Härnösand		Building materials Stugun		Building materials Tunadal		Bollsta sawmill		Gällö sawmill		Munksund sawmill		Rundvik sawmill		Tunadal sawmill	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
415	433	168	168	21	21	9	9 ²⁾										
				70	94	82	93	521	532	337	360	296	369	252	284	553	531
163	151	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
215	180	32	31	6	6	4	4	43	43	18	19	22	25	18	20	32	36
378	330	32	31	6	6	4	4	43	43	18	19	22	25	18	20	32	36
4,924	4,355	421	416	5	7	2	2	704	706	289	305	371	443	233	268	391	376
321	398	2	1	0	0	0	0	59	66	0	0	8	19	12	4	86	94
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,245	4,753	423	417	5	7	2	2	763	772	289	305	379	463	245	272	477	470
686	634	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300	255	0	0	1	1	0	0	58	51	22	23	5	7	11	13	7	7
31	20	0	0	0	0	0	0	1	2	0	0	0	1	0	0	9	9
22	26	33	36	1	1	0	0	4	4	0	1	0	0	11	11	0	0
26	32	0	0	0	0	0	0	4	5	0	0	1	2	1	0	7	7
2	2	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
501	452	40	40	0	1	0	0	68	69	30	32	39	46 ²⁾	22	33	37	37
5,629	1,375	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	34
2,597	216	0	0	0	0	0	0	63	64	0	0	0	0	0	0	4	0
718	510	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	12	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0
38	66	0	0	0	0	0	0	3	3	0	0	0	0	0	0	0	0
6	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,538	1,444	41	22	0	0	0	0	7	0	0	0	9	12	0	0	19	2
24,515	35,098	52	2,033	179	170	50	399	3,143	3,804	949	1,410	62	77	772	4,671	347	93
330	62	1,033	1,238	6	0	0	2	51	37	14	12 ²⁾	14	17	254	53	70	66

AOX Absorbable organic halogens
CO₂ Carbon dioxide
COD Chemical oxygen demand

BOD Biochemical oxygen demand
NO₂ Nitrogen dioxide

NO_x Nitrogen oxides
SO₂ Sulfur dioxide



TAXONOMY TABLES

EU Taxonomy

Turnover				Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)					Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Forest management	1.3	212	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A		
Electricity generation from wind power	4.3	0	0%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0%	N/A		
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	428	2%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	2%	N/A		
District heating/cooling distribution	4.15	103	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A		
Cogeneration of heat/cool and power from bioenergy	4.20	262	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A		
Freight rail transport	6.2	8	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,013	4%														4%	N/A		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Freight transport services by road	6.6	170	1%																	
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	632	3%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		802	3%																	
Total (A.1 + A.2)		1,815	8%														4%	N/A		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		22,142	92%																	
Total (A + B)		23,957	100%																	

Turnover consist of the Group's revenue, see Note B1. Revenue includes net sales and other operating income from external sales of goods and services, that is, after elimination of internal transactions. Since this is the first year reporting the proportion of Taxonomy-aligned activities, no outcome is given for the comparative year, which is in accordance with disclosure requirements. SCA is deemed to meet the minimum social safeguards, refer to pages 148–153.

The assessment of the company's operations was based on the activities and criteria described in the delegated acts for the EU Taxonomy and that currently encompasses the two first environmental objectives. The economic activities identified as Taxonomy-eligible are forestry management, energy activities such as sale of district heating, electricity and tall oil to process into biofuel as well as various transport services by rail, road and sea. All activities are first and foremost considered to contribute toward the first environmental objective, Climate change mitigation. In 2022, no activities were identified that also contribute toward the second environmental objective, Climate change adaptation.

Almost all of SCA's external net sales consist of activities that are not currently Taxonomy-eligible. The Taxonomy-eligible activities

comprise almost exclusively other operating income and constitute a minor share, 8%, of SCA's total external revenue. Of this revenue, 56% is from activities aligned with the technical screening criteria of the EU Taxonomy.

SCA's forest management is eligible and is considered to be aligned with the technical screening criteria of the EU Taxonomy, but excluded from revenue as almost all wood raw material is used internally. The activity 1.3 Forest management covers revenue from silvicultural services sold externally, sales of seedlings and sales of small volumes of wood.

Revenue from activity 4.3 Electricity generation from wind power is eligible but was without sales in 2022 since the acquisition was completed in December 2022.

The aligned activities comprise forestry management, energy and rail transportation.

The activities that are Taxonomy-eligible but do not meet the technical screening criteria include transport services at sea and by road.



TAXONOMY TABLES

CapEx				Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)							Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T		
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Forest management	1.3	1,120	19%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	19%	N/A				
Electricity generation from wind power	4.3	809	13%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	13%					
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	42	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A				
District heating/cooling distribution	4.15	6	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A				
Cogeneration of heat/cool and power from bioenergy	4.20	13	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A				
Renovation of existing buildings	7.2	60	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A				
Installation, maintenance and repair of energy efficiency equipment	7.3	2	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A				
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	6	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		2,058	34%														34%	N/A				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	171	3%																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		171	3%																			
Total (A.1 + A.2)		2,229	37%														34%	N/A				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx of Taxonomy-non-eligible activities (B)		3,819	63%																			
Total (A + B)		6,048	100%																			

SCA is a non-financial corporation that applies IFRS standards and investments (CapEx) have been identified in the IAS 16, IAS 38, IAS 41 and IFRS 16 categories. No activities linked to joint ventures were included in the supporting data.

Since this is the first year reporting the proportion of Taxonomy-aligned activities, no outcome is given for the comparative year, which is in accordance with disclosure requirements. The assessment was based on the activities and criteria described in the delegated acts for the EU Taxonomy and that currently encompasses the two first environmental objectives. In 2022, no investments were identified that also contribute toward the second environmental objective, Climate change adaptation.

For the purpose of assessing the Taxonomy-eligible investments that meet the criteria, calculations were conducted of the investments that meet any of the criteria a–c:

- (a) pertains to assets or processes linked to the company's economic activities that are currently Taxonomy-eligible
- (b) is part of a plan to increase the company's economic activities that are Taxonomy-eligible or make it possible for economic activities that are Taxonomy-eligible to contribute to environmental objectives within a predefined timeframe
- (c) pertains to purchasing of external goods and services that are the result of economic activities that are aligned with the Taxonomy and individual measures that makes it possible to become low-carbon or lead to reduced greenhouse gas emissions, and individual measures for building renovation in accordance with what is stated in the delegated acts.

The precautionary approach was used in work to calculate expenditure for relevant investments, which meant that in instances when doubts existed about whether expenditure met the requirements for contributions to the environmental objectives, these were not included in the calculation. Currently, no activities are covered by a CapEx plan.

In 2022, investment expenditure mainly consisted of the acquisition of forest land and the acquisition of wind farms. Investments in forestry management mainly consist of acquisitions of forest land in the Baltic region and Sweden. Costs also include investments in forest roads, capitalized forest management and lease contracts linked to forestry machines. Since SCA's forestry management is deemed to meet the technical screening criteria, these investments are considered aligned. SEK 100m of the CapEx for wind farm acquisitions was financed through green bonds.

Other investment expenditure encompasses increased tall oil production and the construction of a new container port. Some major building renovation that meets the requirements of minimum energy performance, and therefore is considered to meet the technical screening criteria and is aligned, was undertaken during the year. Some investments were also made to improve the production and delivery of electricity and district heating.



TAXONOMY TABLES

OpEx				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
Code(s)	Absolute OpEx	Proportion of OpEx		Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
Economic activities	SEKm		%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Forest management	1.3	305	24%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	24%	N/A		
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	3	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A		
District heating/cooling distribution	4.15	11	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A		
Cogeneration of heat/cool and power from bioenergy	4.20	12	1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1%	N/A		
Freight rail transport	6.2	2	<1%	100%		N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	<1%	N/A		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		333	26%														26%	N/A		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	33	3%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	1	<1%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		34	3%																	
Total (A.1 + A.2)		367	29%														26%	N/A		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		907	71%																	
Total (A + B)		1,274	100%																	

Operating expenditure includes, in accordance with the Taxonomy's definition, direct costs that are not recognized as assets and that concern research and development, renovation of buildings, current leases, maintenance and repairs and other direct operating expenditures that concern daily maintenance required to ensure the continued operation and appropriate function of tangible fixed assets.

Since this is the first year reporting the proportion of Taxonomy-aligned activities, no outcome is given for the comparative year, which is in accordance with disclosure requirements. The assessment was based on the activities and criteria described in the delegated acts for the EU Taxonomy and that currently encompasses the two first environmental objectives. In 2022, no operating expenditure was identified that contributes toward the second environmental objective, Climate change adaptation.

For the purpose of assessing the Taxonomy-eligible operating expenditure that meets the criteria, calculations were conducted of the operating expenditure that meets any of the criteria a–c:

- (a) pertains to assets or processes linked to the company's economic activities that are currently Taxonomy-eligible
- (b) is part of a plan to increase the company's economic activities that are Taxonomy-eligible or make it possible for economic activities that are Taxonomy-eligible to contribute to environmental objectives within a predefined timeframe
- (c) pertains to purchasing of external goods and services that are the result of economic activities that are aligned with the Taxonomy and individual measures that makes it possible to become low-carbon or lead to reduced greenhouse gas emissions, and individual measures for building renovation in accordance with what is stated in the delegated acts.

Only accounts that contain operating expenditure of at least SEK 1m were taken into consideration when calculating category c) above. In evaluating these accounts, only invoices of at least SEK 100,000 were taken into consideration. The precautionary approach was used in the work to calculate operating expenditure, which meant that in instances when doubts existed about whether operating expenditure met the requirements for contributions to the environmental objectives, these were not included in the calculation.

In 2022, most of Taxonomy-eligible operating expenditure comprised other direct operating expenditure.

The main operating expenditure classified as aligned comprises forest management measures in own forest such as costs for thinning, planting and site preparation. In addition, there is also equipment maintenance to perform similar services on behalf of other forest owners. For energy production, maintenance costs were calculated as a share of the facility's total maintenance costs based on the need for maintenance for the facility's different departments. Both forest management and energy production are deemed to be aligned since this operating expenditure is linked to activities that are considered as aligned with the technical screening criteria.

Operating expenditure linked to own vessels was included as eligible but not aligned, since the vessels have CO₂ emissions that do not meet the technical screening criteria. Certain expenditure for minor property maintenance was considered as only eligible since these were relatively insignificant.



About the Sustainability Report

SCA publishes a sustainability report each year. The Annual Report for 2022 will be published on March 7, 2023.

Sustainability work is integrated into the Group's operations and the Sustainability Report in accordance with the Annual Accounts Act constitutes part of SCA's Annual Report for 2022. Areas covered by the legislative requirements are clarified in the Board of Directors' Report. The Sustainability Report was submitted to the external auditor together with the Annual Report, refer to the auditor's report.

SCA's 2022 Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, GRI 1, Foundation 2021. The sustainability information in the Annual Report was reviewed by external auditors, see the Auditor's Report. The sustainability review does not include the review of SCA's remuneration report, with the exception of the portion pertaining to GRI 2-21 Annual total compensation ratio.

SCA reports information in accordance with the Task Force on Climate-related Financial Disclosures, TCFD's recommendations, see the Board of Directors' Report on page 73.

The sustainability report also contains information about how SCA works with the UN Global Compact's Ten Principles in the areas of human rights, working conditions, the environment and anti-corruption.

Boundary of the report

The Sustainability Report covers the SCA Group, including wholly owned subsidiaries and subsidiaries in which SCA owns at least 50% of the company, see Note F1 and for countries included, see table TB1:1 under Financial notes. If SCA owns 50% or more of a company, the entire company is included in the report. Divested and acquired operations are included for the part of the year the operations were owned by the company. Environmental data and resource use is stipulated for the manufacturing units, meaning for pulp and paper mills and for sawmills, building materials and pellets manufacturing. Social data is stipulated for the entire Group and pertains to own employees unless otherwise stated.

As the report is prepared in accordance with the GRI Standards, the materiality principle has had great significance. This means that the report's content is determined by the issues that are most relevant to SCA and its stakeholders, and that the content provides a complete view of the operations. The choice of GRI disclosure numbers is based on the materiality analysis conducted, see the Materiality analysis section.

Data collection

Data provided in the report is compiled through various systems, primarily the Group's accounting system, Resource Management System (RMS), forest planning systems, SCA's HR system and Afa's Occupational health and safety information systems (the IA systems). Since assumptions and conversion factors may

be required for certain calculations, this entails a source of uncertainty. SCA strives to obtain data that is as reliable as possible.

The RMS system describes how the company uses energy, water, transport and raw materials and generates waste and emissions. RMS data is used for internal control, monitoring and analysis, life cycle assessments and external benchmarking. RMS data is reported at unit level using direct measurements and inventories.

Energy consumption is calculated in various ways, for example through direct measurements of consumption or by calculating based on fuel consumption. The conversion factors used are obtained from suppliers or from literature.

In 2019, SCA developed a model that describes the total climate benefit for a forestry company and that has also been used by other companies in the industry. For more information, visit sca.com in the Our climate benefit section. SCA uses this model to calculate its climate benefit.

When measuring, analyzing and reporting emissions of CO₂ and other greenhouse gases, SCA uses the global Greenhouse Gas Protocol standard for most of its calculations. For other environment data, SCA applies recognized measurement and calculation standards, including the Swedish Standards Institute, the Swedish Environmental Protection Agency and the International Energy Agency's factors. The climate effect is stated in the Annual Report as CO₂ and refers to CO₂e unless otherwise specified.

Emissions from transportation are calculated based on total transport performed per mode of transport for delivered products, raw materials and input goods. Emissions are calculated by multiplying transportation per transport mode (expressed as tonne kilometers) by typical emission factors for the different modes of transportation. The emission factors used are based on data from the Network for Transportation Measures (NTM) (www.transportmeasures.org). For transportation with SCA's own vessels and leased vessels, the actual fuel consumption and load utilization is used.

Personnel-related data is mainly provided by SCA's HR system. Supporting qualitative data is gathered in SCA's database for sustainability data. The IA systems are used for reporting and following-up work-related injuries and incidents at every unit within the Group. Reporting also encompasses contractors who conduct work on SCA's sites. The systems are also used for preventive reporting of risk observations. A new system has been developed by SCA to report observations of safe and unsafe behavior, BBS, as an aid to develop a health and safety culture in the company. The statistics are aggregated to Group level.

When adjustments have been made compared with earlier years, a note is made directly beside the chart or table.



SIGNATURES

Signatures

The Board's assessment is that the dividend to shareholders in the proposed amount, in accordance with Note PC15, see page 138, is justifiable taking into account the requirements, on both the company and the Group, the nature of the business, its scope and risks place on the size of equity and also considering consolidation requirements, liquidity and other status. The financial position remains good after the proposed dividend and is considered sufficient to ensure that the company can fulfill its short or long-term obligations, and has the opportunity to make any necessary investments.

The Annual and Sustainability Report and the consolidated financial statements have been approved for publication by the Board of Directors on March 1, 2023. The Group's income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for approval at the Annual General Meeting on March 30, 2023.

The Board of Directors and President and CEO declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's financial position and results of operations. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report also contains the Group's and Parent Company's sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, see page 64, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 182–183.

Sundsvall, March 1, 2023

Pär Boman
Chairman of the Board

Niclas Andersson
Board member,
appointed by the employees

Åsa Bergman
Board member

Roger Boström
Board member,
appointed by the employees

Lennart Evrell
Board member

Annemarie Gardshol
Board member

Carina Håkansson
Board member

Maria Jonsson
Board member,
appointed by the employees

Martin Lindqvist
Board member

Anders Sundström
Board member

Barbara Milian Thoralfsson
Board member

Karl Åberg
Board member

Ulf Larsson
President and CEO,
and Board member

Our audit report was submitted on March 3, 2023

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant
Auditor in charge



Auditor's report

To the general meeting of the shareholders of Svenska Cellulosa Aktiebolaget SCA (publ), corporate identity number 556012-6293.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2022 except for the corporate governance statement on pages 74–83 and the sustainability report defined on page 64. The annual accounts and consolidated accounts of the company are included on pages 84–138 and page 174 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 74–83 and the sustainability report on page 64. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statement.

Forest valuation

Description	How our audit addressed this key audit matter
<p>The Group values its forest assets at fair value in accordance with IAS 16 and IAS 41. The group's forest assets are divided into biological assets where the change in value is recognized as operating profit in accordance with IAS 41 Agriculture, and into land assets accounted for with the revaluation model and where the change in value is reported as other comprehensive income in accordance with IAS 16 Property, Plant and Equipment.</p> <p>The fair value of the group's total forest assets are determined based on transactions in the areas where SCA owns forest land and the calculated standing timber volumes, to then be split based on cash flows relating to the two assets. The valuation is classified as level 3 in accordance with IFRS 13. A description of the valuation of forest assets and important assumptions are presented in note D3.</p> <p>As of December 31, 2022, the forest (biological assets) has been disclosed at a value of SEK 55 581 million and land assets at a value of SEK 31 188 million, totaling SEK 97 882 million which is 71,2% of the group's total assets.</p> <p>The valuation process is complex as it requires judgement and assumptions in terms of market statistics, timber volumes and the future discounted cash flows determining the split between land- and biological assets.</p> <p>Significant judgmental areas include the areas and period of the market statistics, calculated timber volumes, discount rates and cash flows. Based on the above, we consider that the valuation of the group's forest assets to be a Key Audit Matter.</p>	<p>Our audit procedures have included, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • Reviewed and audited the group's process and method for valuating forest assets and the splitting of total fair value between land- and biological assets. • Reviewed the third party suppliers of market statistics and assessed the reliability of this data. • Reviewed and audited the calculation of timber volumes • For the split between land- and biological assets we have, together with our valuation experts, further: <ul style="list-style-type: none"> ◦ Reviewed the discount rate ◦ Assessed the judgement applied in the cash flow models such as what costs and income are included and the assumed inflation rate. ◦ Reviewed the indata in the cash flow models against accounting records and supporting evidence. For the input in the model based on forecasts, we have assessed the reasonability in applied judgement and in order to assess the reliability of previous forecasts by comparing to historical outcome. • Assessed the group's sensitivity analysis (parameters and arithmetically) and computed our own sensitivity analysis. <p>Finally we have assessed whether related disclosures are appropriate.</p>



AUDITOR'S REPORT

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–59, 139–173 and 182–190. The remuneration report for the financial year 2022 also constitutes other information. It is the Board of Directors and the CEO who are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, measures taken to eliminate the threats or countermeasures that have been taken.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.



Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Svenska Cellulosa Aktiebolaget SCA (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the CEO have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Svenska Cellulosa Aktiebolaget SCA AB for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Svenska Cellulosa Aktiebolaget SCA AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



AUDITOR'S REPORT

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the CEO determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the CEO, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the CEO.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Group's consolidated Income statement, balance sheet, statement of change in equity, cash flow statement and notes has been marked with iXBRL in accordance with the ESEF regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 74–83 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on page 64 with references, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, with Fredrik Norrman as auditor-in-charge, was appointed auditor of Svenska Cellulosa Aktiebolaget AB by the general meeting of the shareholders on March 31st, 2022 and has been the company's auditor since 2016.

Stockholm March 3, 2023

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant



Limited Assurance Report on the Sustainability Report

This is the translation of the auditor's report in Swedish.

Auditor's Limited Assurance Report on Svenska Cellulosa Aktiebolaget SCA's Sustainability Report

To Svenska Cellulosa Aktiebolaget SCA, corporate, identity number 556012-6293

Introduction

We have been engaged by the Board of Directors of Svenska Cellulosa Aktiebolaget SCA to undertake a limited assurance engagement of Svenska Cellulosa Aktiebolaget SCA's Sustainability Report for the year 2022. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 182–183.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 173, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed (GRI 2021). This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) *Assurance engagements other than audits or reviews of historical financial information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical

and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Svenska Cellulosa Aktiebolaget SCA in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm March 3, 2023

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant



Remuneration Report 2022

to be presented at the 2023 AGM

Introduction

This report describes how the guidelines for remuneration of senior executives of Svenska Cellulosa Aktiebolaget SCA (publ) ("SCA"), as resolved by the 2022 Annual General Meeting, were applied in 2022. The report also contains information about the remuneration of the President and CEO. The report was prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes*, now administered by the Stock Market Self-Regulation Committee (ASK).

Further information concerning remuneration of senior executives is available in Notes C1–C5 on pages 101–106 of the 2022 Annual Report. Information concerning the work of the Remuneration Committee in 2022 can be found in the Corporate Governance Report on pages 74–83 of the 2022 Annual Report. Remuneration of the Board is not covered by this report. Such remuneration is decided each year by the Annual General Meeting and is presented in Note C4 on page 104 of the 2022 Annual Report.

Company's performance in 2022

The President and CEO summarizes the company's earnings in his statement on pages 8–9 of the 2022 Annual Report.

The company's remuneration guidelines: area of application, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit, motivate and retain qualified personnel through competitive remuneration in line with market levels. The company's remuneration guidelines make it possible to offer senior executives competitive total remuneration in line with market levels. According to the remuneration guidelines, total remuneration to senior executives is to be competitive in the senior manager's field of profession and also reflect the manager's responsibility, authority and performance. Remuneration may consist of the following components: fixed salary, variable salary, other benefits and pension. Variable remuneration shall be based on the outcome of short-term and long-term goals, comprising financial goals, goals that contribute to such, or to the value development of the company's share. Variable remuneration shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

The guidelines and information regarding their application is available on pages 101–102 of the 2022 Annual Report. In 2022, the company has complied with the applicable remuneration guidelines as adopted by the Annual General Meeting. No deviations were made from the guidelines, nor were any deviations made from the decision-making process with regard to the determination of remuneration stated in the guidelines. The auditor's statement on the company's compliance with the guidelines is available on www.sca.com. No claims for the repayment of remuneration were made.

Table 1. Remuneration of President and CEO

The table shows total remuneration (SEK) of the President and CEO in 2022

		Fixed salary ¹⁾	Other benefits ²⁾	STI (one-year variable remuneration) ³⁾	Supplementary STI (one-year variable remuneration) ⁴⁾	LTI (three-year variable remuneration)	Extraordinary remuneration	Pension costs ⁵⁾	Total remuneration	Distribution between fixed and variable remuneration relative to total remuneration ⁶⁾
Ulf Larsson (President and CEO)	2022	10,500,000	147,933	5,250,000	5,250,000	-	-	4,371,666	25,519,599	59%/41%

Application of performance criteria

Performance criteria for the President and CEO's variable remuneration were selected to realize the company's strategy and to encourage behavior that promotes the company's long-term interests. The choice of performance criteria took into account strategic targets and short and long-term business priorities for 2022.

Short Term Incentive Program

The performance criteria⁷⁾ in the short-term incentive program (STI) for the President and CEO comprise profit for the period, EBITDA, operating cash flow, return on capital employed (ROCE) for SCA's industrial operations, and the number of accidents with absence, Lost Time Accident (LTA) in the SCA Group.

¹⁾ Fixed salary consists of base salary and vacation pay, paid in 2022.

²⁾ Vehicle benefits and health insurance. The table shows benefits expensed in 2022.

³⁾ The table reports STI pertaining to the 2022 fiscal year. Disbursements in 2023.

⁴⁾ The table reports Supplementary STI pertaining to the 2022 fiscal year. Supplementary STI replaces LTI during 2022. Disbursements in 2023.

⁵⁾ The pension costs pertain to the costs for defined contribution pension plans that affected profit for 2022. Supplementary health insurance is included in the costs.

⁶⁾ Calculated as (Fixed salary + Any other benefits + Pension costs)/Total remuneration. Calculated as (STI + Supplementary STI)/Total remuneration. The year's pension costs, which are exclusively calculated on Fixed salary, were reported in full as fixed remuneration.

⁷⁾ A definition of the performance criteria is presented on page 186 of the Annual Report.

REMUNERATION REPORT 2022

Table 2. Overview of the President and CEO's short-term performance goals and goal achievement in 2022 (short-term variable remuneration)

	1	2	3
Ulf Larsson (President and CEO)	Description of criteria attributable to the remuneration component	Relative weights of performance criteria	a) Measured performance b) Actual remuneration outcome
	Profit for the period	25%	a) 6,821 MSEK b) 1,312.5 KSEK
	EBITDA	20%	a) 10,194 MSEK b) 1,050 KSEK
	Operating cash flow	25%	a) 5,685 MSEK b) 1,312.5 KSEK
	Industrial return on capital employed	20%	a) 40.1% b) 1,050 KSEK
	LTA (accidents with absence)	10%	a) 16 number b) 525 KSEK

Long Term Incentive Program

The President and CEO participates in the company's long term cash-based incentive program (LTI), which was adopted by the Annual General Meeting 2022.

The LTI program's performance conditions shall be based on a financial target consisting of the total return ("TSR") on the company's class B share for the financial years 2022, 2023 and 2024 (the "Performance Period"), which shall be measured to 60 percent in relation to a benchmark group of other companies¹⁾ and to 40 percent in relation to the OMXS30 index (the "TSR-condition"), as well as a sustainability target related to increased climate benefit²⁾ (million tonnes of CO₂ equivalents), during the Performance Period (the "Sustainability Condition"). The TSR-condition will be weighted 90 percent and the Sustainability Condition 10 percent when payment of the cash remuneration is decided. For maximum payment, it is required that the TSR of the company's class B share exceeds the weighted TSR outcome for the benchmark group and the OMXS30 index by at least 5 percentage points during the Performance Period. For maximum payment, it is required that the average annual climate benefit increases with 1.5 million tonnes CO₂ equivalents during the Performance Period compared to the average annual climate benefit during the years 2019, 2020 and 2021 (the "Maximum Level").

The payment of cash remuneration within the LTI program is linked to a requirement of investment in the SCA share, whereby all of the net outcome (after tax deductions) is to be used to buy shares in SCA, and a requirement that the acquired shares are retained for a period of at least three years after the acquisition. Additional information concerning the company's LTI program can be found in Note C3 on pages 101–103 of the 2022 Annual Report.

The evaluation period for the program covers the financial years 2022, 2023 and 2024. Payment of cash remuneration under the program can therefore not be made until 2025.

Supplementary short-term incentive program

For 2022, the Board of Directors resolved that the STI program should be supplemented with an additional short-term program. The supplementary program is intended to function as a transition to LTI 2022–2024 which does not vest until 2025. The President and CEO participates in the company's supplementary short-term incentive program.

The targets in the supplementary short-term incentive program are solely financial and consists of EBITDA, operating cash flow and industrial return on capital employed.

Table 3. Overview of the President and CEO's supplementary short-term variable program, financial targets and goal achievement in 2022

	1	2	3
Ulf Larsson (President and CEO)	Description of criteria attributable to the remuneration component	Relative weights of performance criteria	c) Measured performance d) Actual remuneration outcome
	EBITDA	44%	c) 10,194 MSEK d) 2,310 KSEK
	Operating cash flow	28%	c) 5,685 MSEK d) SEK 1,470,000
	Industrial return on capital employed	28%	c) 40.1% d) 1,470 KSEK

Comparative information on the development of the President and CEO's remuneration, company performance and remuneration of other employees

Table 4. Comparison of President and CEO's remuneration relative to the company's financial performance and remuneration of other employees

	Total remuneration 2022	Change from previous year 2022/2021	Change from previous year 2021/2020
Remuneration to President and CEO, Ulf Larsson (SEK)	25,519,599	2,500,742 11%	4,053,591 21%
SCA's economic performance			
– EBITDA (SEKm)	10,194	1,085 12%	5,716 268%
– Profit for the period (SEKm)	6,821	720 12%	5,334 795%
Average remuneration based on the number of full-time equivalent employees at SCA Group ³⁾ (SEK). Variable salary during the year comprises expensed amounts.	630,236	15,306 2%	34,026 6%
Median based on the number of full-time equivalent employees at SCA Group ⁴⁾ (SEK). Variable salary during the year comprises expensed amounts.	586,779	12,691 2%	45,060 9%

As from 2022, comparative company is the entire SCA Group. In previous remuneration reports, SCA Forest Products AB has been used as comparative company. The parent company Svenska Cellulosa Aktiebolaget SCA (publ) only employs the President and CEO and other Group Management and has no other employees. Current and previous members of the Group Management have been excluded from the comparison between the remuneration of the President and CEO and other employees' average remuneration.

¹⁾ In 2022, the benchmark group of other companies comprised Holmen AB, Stora Enso OY, OPM-Kymmene OY and BillerudKorsnäs AB.

²⁾ A definition of climate benefit is presented on page 186 of the Annual Report.

³⁾ Refers to the SCA Group. Current and previous members of the Group Management have been excluded from the comparison between the remuneration of the President and CEO and other employees.

⁴⁾ Refers to the SCA Group, including other senior executives, according to GRI-standard.



GRI Index

SCA prepared its report in accordance with GRI Standards 2021 for the January 1, 2022–December 31, 2022 period.

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		Requirement(s) omitted	Reason	Explanation
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Organization and its reporting practices				
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2-2	Entities included in the organization's sustainability reporting	126 Note F1, 173		
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2-4	Restatements of information	173		
2-5	External assurance	77, 174, 179		
Activities and workers				
2-6	Activities, value chain and other business relationships	10–11, 60–62		
2-7	Employees	152, 154, 173		
2-8	Workers who are not employees		2-8	Information unavailable Lack of data (number, contract form and type of work duties) relates to the Group. There has been no procedures for collection. Collection procedures for the data are being prepared, and reporting is planned for Q2 and Q4 2023
Governance				
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2-10	Nomination and selection of the highest governance body	74, 76		
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2-14	Role of the highest governance body in sustainability reporting	74–75, 144, 146		
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2-16	Communication of critical concerns	148–150		
2-17	Collective knowledge of the highest governance body	76–77, 80–81		
2-18	Evaluation of the performance of the highest governance body	77, 144–147		
2-19	Remuneration policies	101–102		
2-20	Process to determine remuneration	74–75		
2-21	Annual total compensation ratio	180–181		
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	8–9		
2-23	Policy commitments	144, 148–150, 167		
2-24	Embedding policy commitments	144, 148–150, 167		
2-25	Processes to remediate negative impacts	144, 148–153		
2-26	Mechanisms for seeking advice and raising concerns	145–147		
2-27	Compliance with laws and regulations	148	2-27bii	Information unavailable Information concerning company fines is not available for the Group in 2021
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Stakeholder engagement				
2-29	Approach to stakeholder engagement	145, 147		
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GRI INDEX

GRI standard / other sources and disclosure	Page	Omission		
		Requirement(s) omitted	Reason	Explanation
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GRI 3: Material Topics 2021				
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3-2	List of material topics	146		
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3-3	Management of material topics, energy	141–144, 166, 173		
302-1	Energy consumption within the organization	166, 168–169, 173		
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305-5	Reduction of GHG emissions	158, 168–169, 173		
<i>Own definition:</i> SCA's total climate benefit	Contribution to reduction in global warming expressed as SCA's climate benefit	157–159		
GRI 304: Biodiversity 2016				
3-3	Management of material topics	141–144, 161–162, 173		
304-3	Habitats protected or restored	161–162, 173		
<i>Own definition:</i> Responsible fiber sourcing	Percentage of wood raw material from certified forests or harvested with SCA retention	160–161		
GRI 403: Occupational health and safety 2018				
3-3	Management of material topics	141–144, 173		
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403-2	Hazard identification, risk assessment, and incident investigation	148, 150, 173		
403-3	Occupational health services	150		
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403-5	Worker training on occupational health and safety	150		
403-6	Promotion of worker health	150		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	153, 163		
403-9	Work-related injuries	148, 150–151, 154, 173	403-9b	Information unavailable For contractors who performed work at SCA's facilities, in forestry operations or conducted transport activities, reporting is only used for CLTA and fatal accidents. Reporting will be reviewed in 2023.



MULTI-YEAR SUMMARY

Financial multi-year summary

SEKm	2022	2021	2020	2019	2018	2017
INCOME STATEMENT						
Net sales	20,794	18,822	18,410	19,591	18,755	16,664
EBITDA	10,194	9,109	4,440¹⁾	5,319²⁾	5,252	3,648
Forest	2,696	2,644	2,213	1,740	1,394	1,363
Wood	2,079	2,968	657	789	904	670
Pulp	2,961	2,096	614	983	709	482
Containerboard ³⁾	2,852	1,761	1,190	2,064	2,468	1,479
Other	-394	-360	-234 ¹⁾	-257 ²⁾	-223	-346
Depreciation	-1,552	-1,475	-1,601 ¹⁾	-1,616 ²⁾	-1,250	-1,137
Operating profit	8,642	7,634	2,839¹⁾	3,703²⁾	4,002	2,511
Financial items	-39	-107	-117	-126	-29	-93
Profit before tax	8,603	7,527	2,722¹⁾	3,577²⁾	3,973	2,418
Taxes	-1,782	-1,426	-483 ¹⁾	-730 ²⁾	-314	-544
Profit for the period	6,821	6,101	2,239¹⁾	2,847²⁾	3,659	1,874
BALANCE SHEET						
Forest assets	97,882	84,497	74,900	69,682	33,065	32,384
Deferred tax liabilities related to forest assets	-19,468	-16,905	-14,977	-13,977	-6,658	-6,905
Working capital	4,138	2,823	2,759	3,748	3,735	2,861
Other capital employed	23,795	20,392	17,152	17,654	15,940	14,379
Capital employed	106,347	90,807	79,834	77,107	46,082	42,719
Equity	96,358	83,055	72,163	68,510	39,062	36,753
Net debt	9,989	7,752	7,671	8,597	7,020	5,966
Capital employed	106,347	90,807	79,834	77,107	46,082	42,719
CASH FLOW STATEMENT						
Operating cash flow	5,685	5,216	2,688	2,922	2,751	2,273
Cash flow before dividend	-320	876	723	145	528	-754
Current capital expenditures, net	-1,436 ⁴⁾	-1,236	-1,224	-1,132	-1,002	-638
Strategic capital expenditures in non-current assets	-4,351	-3,723	-1,414	-1,256	-1,967	-2,863
KEY FIGURES						
EBITDA margin	49.0%	48.4%	24.1% ¹⁾	27.2% ²⁾	28.0%	21.9%
Operating margin	41.6%	40.6%	15.4% ¹⁾	18.9% ²⁾	21.3%	15.1%
Industrial return on capital employed	40.1%	33.0%	5.4% ¹⁾	11.9%	20.1%	12.5%
Return on capital employed	8.9%	9.0%	3.6% ¹⁾	6.9% ²⁾	9.0%	6.1%
Net debt/EBITDA	1.0x	0.9x	1.7x ¹⁾	1.6x ²⁾	1.3x	1.6x
Net debt/Equity	10%	9%	11%	13%	18%	16%
Data per share						
Earnings per share, SEK	9.61	8.46	3.19 ¹⁾	4.05 ²⁾	5.21	2.67
Dividend per share, SEK	2.50 ⁵⁾	3.25	2.00	0.00	1.75	1.50
Operating cash flow per share, SEK	8.09	7.43	3.83	4.16	3.92	3.24

¹⁾ Excluding the effect of one-off items related to the discontinuation of publication paper operations.

²⁾ Excluding the impact of the changed accounting method for the valuation of forest assets.

³⁾ The Paper segment changed name to Containerboard on January 1, 2021. Until this date, the segment included both containerboard and publication paper.

⁴⁾ SEK -85m from new, remeasured and terminated leases.

⁵⁾ Board of Directors' proposal.



MULTI-YEAR SUMMARY

Non-financial multi-year summary

		2022	2021	2020	2019	2018	2017
Value-based culture	Number trained in SCA's Code of Conduct	97%	97%	96%	96%	90%	90%
	Percentage of contract suppliers that have approved SCA's Supplier Standard	99%	98%	94%	93%	94%	75%
	Number of confirmed breaches of SCA's Code of Conduct	5	5	7	8	2	-
	Average number of employees ¹⁾	3,313	3,577	4,196	4,253	4,216	4,127
	Share of women in the Group ²⁾	23%	22%	21%	19%	19%	18%
	Absence due to illness total	3.7%	3.0%	3.9%	3.1%	3.5%	3.8%
	Workplace accident Frequency Rate, LTA per million hours worked	3.1	5.8	5.6	7.4	9.1	10.4
Preventive activities – number of risk and behavior-based safety observations	23,242	17,477	18,079	13,964	11,290	8,500	
Profitable growth	Total shareholder return (TSR)	-16%	14%	51%	41%	-17%	-
	Credit rating	Investment Grade	Investment Grade	Investment Grade	Investment Grade	Investment Grade	Investment Grade
Fossil-free world	Climate benefit ³⁾ , million tonnes of CO ₂ e	10.1	10.5	9.6	10.5	8.0	-
	Uptake of CO ₂ through net growth of SCA's forests, million tonnes CO ₂	5.4	5.4	4.4	5.4	4.0	4.0
	Fossil emissions in the value chain (Scope 1-2-3), million tonnes of CO ₂ e	0.74	0.72	0.86	0.91	0.88	-
	Fossil-free production (emissions from used fuel)	95%	96%	95%	95%	93%	95%
	Specific fossil emissions from transportation in the value chain, g of CO ₂ e per tonne-kms transport performed ⁴⁾	18.0	18.6	19.0	17.9	20.7	21.4
	Installed capacity of wind power on SCA's land, TWh per year	7.2	6.5	5.4	4.4	2.6	2.3
Valuable forests	Standing volume in SCA's forests ⁵⁾ , million m ³ fo	267	261	257	252	245	232
	Wood raw material from responsibly managed forests, percentage of chain of custody certified wood raw material ⁶⁾	100%	100%	100%	100%	100%	100%
	Wood raw material from responsibly managed forests, percentage of wood raw material from certified forestry or harvested with SCA retention ⁷⁾	69%	72%	81%	67%	71%	71%
	Replanting, millions of seedlings planted in SCA's forests	40	67	46	35	36	32
	Nature conservation area ⁸⁾ , % of productive forest land	25.2%	24.5%	22.5%	21.0%	20.0%	24.0%
	Number of consultation meetings with reindeer-herding Sami communities	37	80	120	79	69	65
Efficient use of resources	Wood raw material used, million m ³ sub	10.4	10.7	11.3	11.2	9.6	9.6
	Electricity used, TWh	1.63	1.74	2.77	3.08	2.96	3.04
	Emissions to air of nitrogen compounds, tonnes of NO ₂	2,039	2,180	2,106	1,995	1,831	1,696
	Emissions to water of suspended solids, tonnes	2,104	2,353	2,628	1,873	1,892	2,786
	Waste sent to landfill or classified as hazardous waste, tonnes	7,975	6,436	7,704	6,825	7,303	8,827
	Share of recycling of non-hazardous waste	96.3%	97.5%	96.0%	96.7%	95.3%	93.9%
Sustainable development	Contribute toward viable local communities ⁹⁾	61%	61%	58%	51%	-	-
	Support civil society in sport, culture and other areas, number of central agreements	149	-	-	-	-	-

¹⁾ In 2020, the construction materials operations in the UK were divested, publication paper operations in SCA were discontinued in 2021.

²⁾ Refers to employees on December 31.

³⁾ Climate benefit calculated using the model launched by SCA in 2019, see sca.com

⁴⁾ The reported outcome for 2017–2021 was erroneously specified in previous annual reports as CO₂ and has been adjusted to CO₂e.

⁵⁾ New forest survey in 2019. Holding in the Baltic region included since 2019.

⁶⁾ Wood raw material that at least complies with FSC's Controlled Wood Standard.

⁷⁾ SCA retention pertains to harvesting where the on-site retention corresponds to FSC's requirements for certified forestry.

⁸⁾ Nature conservation area refers to voluntary set-asides and on-site retention in harvesting operations.

⁹⁾ Calculation model changed as of 2022.



Definitions and glossary

Financial terms

Performance measures

EBITDA

Profit before depreciation, amortization and impairment, financial items and taxes.

EBITDA margin

Profit before depreciation, amortization and impairment, financial items and taxes as a percentage of net sales for the year.

Capital measures

Capital employed

The balance sheet's total assets excluding financial assets and pension assets, less any trade payables and other current non-interest-bearing liabilities.

Working capital

Short-term operating receivables (inventories, accounts receivable and other non-interest-bearing current receivables) less current operating liabilities (trade payables and other non-interest-bearing current liabilities).

Net debt

Financial liabilities and provisions for pensions with deductions for financial assets (surplus in funded pension plans, financial assets and cash and cash equivalents).

Profitability ratios

Return on capital employed

Accumulated return on capital employed is calculated as 12-month rolling operating profit as a percentage of average capital employed for the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit for the quarter multiplied by four as a percentage of capital employed on average for the two most recent quarters. One-off items are excluded. Industrial segments only use industrial ROCE.

Industrial return on capital employed

The Group's return on capital employed, excluding operating profit and capital employed from the Forest operating segment and a share of other activities. Strategic capital expenditures in industry that have not begun operating and one-off items are excluded. This measure applies to all industrial segments.

Cash flow performance measures

Operating cash flow

The sum of operating cash surplus and change in working capital, with deductions for current capital expenditure and restructuring costs.

Cash flow from current operations

Operating cash flow less net financial items and tax payments and taking into account other financial cash flow.

Strategic capital expenditures in non-current assets

Investments aimed at increasing the company's future cash flow through acquisitions of companies, capital expenditures to expand facilities, or new technologies that boost competitiveness.

Current capital expenditures, net

Investments made to maintain competitiveness, and include maintenance, rationalization and replacement measures or investments of an environmental nature, with deductions for compensation from divested non-current assets, aimed at preserving the value of assets.

Glossary

CTMP Chemi-thermomechanical pulp is a high-yield pulp produced through heating and mechanical defibration in a refiner of preheated, chemically pre-treated softwood.

FSC (Forest Stewardship Council) is an international organization promoting responsible forest management. The FSC has developed principles for responsible forestry that can be applied for certifying forest management and that facilitate FSC labeling of wood products from FSC-certified forests.

Climate benefit describes the company's total climate effect in millions of tonnes of carbon dioxide equivalents and is calculated using a model described on pages 157–159 and on sca.com. The model comprises three components: forest net uptake of CO₂, fossil emissions from the value chain and the products' contribution when these replace fossil materials.

Kraftliner is the surface layer of corrugated board based on fresh wood fiber.

m³sub (solid cubic meter under bark) specifies the volume of timber excluding bark and tops. Used in harvesting and the timber trade. 1 m³sub equals about 1.22 m³fo.

m³fo (forest cubic meter) specifies the volume of timber including tops and bark, but excluding branches. Used to describe the forest holding of standing timber. Growth is also specified in forest cubic meters. 1 m³fo equals about 0.82 m³sub.

PEFC (Programme for the Endorsement of Forest Certification) is an international forest certification system.

Productive forest land is land with a production capacity that exceeds an average of one cubic meter of forest per hectare annually.

NBSK is bleached softwood kraft pulp manufactured by boiling wood fiber with chemicals.

Solid-wood products refers to timber sawn into various sizes for use in, for example, furniture manufacturing, joinery or construction.

Wood raw material relates to fresh wood fiber used in solid-wood products, pulp and paper products.

About the Annual General Meeting

The Annual General Meeting (AGM) of Svenska Cellulosa Aktiebolaget SCA will be held on Thursday, March 30, 2023, at 1:00 p.m. at Clarion Hotel Sundsvall, Skepparegatan 9 in Sundsvall, Sweden. Registration for the AGM will start at 11:30 a.m.

The shareholders also have the opportunity to exercise their voting rights by postal voting prior to the Meeting.

Right to participate and notice of participation at the meeting venue

Shareholders who wish to participate in the AGM at the meeting venue in person or by proxy must be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Wednesday, March 22, 2023, and give notice by Friday, March 24, 2023.

Notification may be given in any of the following manners:

- on the company's website www.sca.com
- by telephone at +46 60 19 33 00, weekdays between 09.00–16.00
- by mail to Svenska Cellulosa Aktiebolaget SCA, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm.
- by e-mail to GeneralMeetingService@euroclear.com

Notification must include name, personal or corporate identification number, address, telephone number and number of any assistants (not more than two).

Shareholders represented by proxy shall issue a written, signed and dated power of attorney for the proxy. Proxy forms in Swedish and English are available on the company's website www.sca.com and also upon request. A power of attorney is valid for one (1) year from its issue date or such longer time period as set out in the power of attorney, however not more than five (5) years. The representative of a legal person must provide a copy of a registration certificate or corresponding authorization document, not older than one year, listing the authorized signatories. In order to facilitate the registration at the Meeting, the power of attorney in original, the registration certificate and other authorization documents should be sent to the company at the address stated above, well in advance of the Meeting and not later than Friday, March 24, 2023.

Right to participate and notice by postal voting

Shareholders who wish to participate in the AGM by postal voting must be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB as of Wednesday, March 22, 2023, and give notice of their participation by submitting their postal votes in accordance with the instructions below so that the postal vote is received by Euroclear Sweden AB by Friday, March 24, 2023.

A person who wishes to attend the meeting venue in person or by proxy must give notice of this in accordance with the instructions under the heading "Right to participate and notice of participation at the meeting venue" above. Hence, notice of participation only through postal voting is not sufficient for a person who wishes to attend the meeting venue.

A special form must be used for postal vote. The form is available on the company's website www.sca.com and is considered as notice to participate in the AGM.

In order to be considered, the completed and signed form must be received by Euroclear Sweden AB no later than Friday, March 24, 2023 and sent by post to Svenska Cellulosa Aktiebolaget SCA, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by e-mail to GeneralMeetingService@euroclear.com. Shareholders may also cast their votes electronically through verification with BankID via Euroclear Sweden AB's website <https://anmalan.vpc.se/EuroclearProxy/>. To be considered, such electronic votes must be submitted no later than Friday, March 24, 2023.

If the shareholder submits its postal vote by proxy, a written, signed and dated power of attorney must be attached to the postal voting form. Proxy forms in Swedish and in English are available on the company's website www.sca.com and also upon request. A power of attorney is valid for one (1) year from its issue or such longer time period as set out in the power of attorney, however not more than five (5) years. If the shareholder is a legal person, a registration certificate or corresponding authorization document, not older than one (1) year, must be attached to the form, listing the authorized signatories.

The shareholder may not provide specific instructions or conditions to the postal vote. If so, the postal vote in its entirety is invalid. Further instructions and conditions can be found in the postal voting form.

Nominee registered shares

In order to be entitled to participate in the AGM, in person, by proxy or through postal voting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the AGM, register its shares in its own names so that the shareholder is listed in the presentation of the share register as of Wednesday, March 22, 2023. Such re-registration may be temporary and made to the nominee in accordance with the nominee's routines as such a time in advance as decided by the nominee. Voting rights registration that has been made by the nominee no later than Friday, March 24, 2023, will be taken into account in the presentation of the share register.

The notice convening the AGM can be found on the company website www.sca.com.



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