

Communication
on progress | 2016



Sweden's largest forest owner

Sveaskog is Sweden's largest forest owner with 14% of the country's forests. Sales totalled SEK 5.9 billion in 2016 and the average number of employees was 844, operating around the country. Sveaskog is owned by the Swedish state.

Sveaskog sells sawlogs, pulpwood, biofuel, forest seedlings and silvicultural services. Sveaskog complements supplies from its own forests with purchases from other forest owners, exchanges and imports. Sveaskog also works with land transactions and develops the forest as a venue for fishing, hunting and other nature-based experiences.

Sveaskog's forest assets



Breakdown of tree species on Sveaskog's land



Cover photograph taken in Djursholms Ekeby. Spruce cone production does not start until the tree is 30–40 years old and cones are then produced at 4–10 year intervals.

The year in brief

Net sales totalled SEK 5,922 million

Operating profit from continuing operations amounted to SEK 1,128 million

Dividend of SEK 800 million proposed to the 2017 Annual General Meeting

Continued very high result for customer satisfaction

37th ecopark inaugurated in the area of a major forest fire in Västmanland

Green bonds issued for the first time



Watch our short animated films "Forestry, the Swedish way" which provide a simple presentation of Swedish forestry. Seven films, each one minute long, are available on Sveaskog's website sveaskog.se

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The legal annual report including the administration report and financial statements comprises pages 6–9, 16–19 and 22–78 of the Annual Report (in Swedish).

The sustainability report that has been reviewed by the auditors is on pages 10–15, 20–21 and 81–86.



Sveaskog's assignment

Sveaskog is owned by the Swedish state. According to the state's ownership policy, the company must have value creation as its overall objective. This means that Sveaskog must operate in the long term, efficiently and profitably, be allowed to develop and create value through sustainable business.

According to the articles of association, Sveaskog owns and manages real and personal property, conducts forestry operations and forest industry as well as related business activities. The core business is forest management. Sveaskog must also be an independent player without major interests as an end user of wood raw material.

The owner has an explicit dividend policy and clear financial targets for the company regarding yield and net debt/equity ratio.

Comments from the Chairman

Sveaskog's operations are important for Sweden

The forest is one of Sweden's most significant assets and laid the foundation for our welfare when we took the step into industrialisation. The forest is still important for Sweden both as a significant source of exports and because it creates conditions for a living countryside.

Sveaskog owns 14% of Swedish forests which means that what Sveaskog does or does not do is significant for Sweden. The company helps to provide 5,400 jobs – mostly in rural areas – and thereby contributes tax revenues of SEK 580 million. Over the last five years, Sveaskog has contributed to our welfare by providing SEK 7 billion in dividends to our owner, the Swedish state. Our forests also create other values that are worthy of protection such as opportunities for outdoor recreation.

Today, we know that active forest management is more important than ever due to the positive climate effects of the forest. Forest sequestration and the use of forest products reduce carbon dioxide in an amount corresponding to Sweden's entire fossil emissions. Since the positive climate effects from the forest are greatest when it is growing, long-term sustainable forest management is of major importance.

Integrated sustainability work

Forest owners have a responsibility to act in a manner that is sustainable over time and Sveaskog – which is Sweden's largest forest owner and owned by the Swedish state – has a special responsibility to set an example and be a leading player in the industry. It is therefore gratifying to note that Sveaskog has taken major steps forward when it comes to integrating sustainability into all of its activities. The company's strategies are clearly linked to sustainability aspects. Among other things, Sveaskog's management has placed great emphasis on the issue of confidence, which had led to an open and constructive dialogue with local authorities and other stakeholders across the country. This in turn is a precondition for a long-term sustainable business.

Sveaskog operates in a world with many short-term and long-term challenges. Short-term profitability, cyclical dependence and the ability to meet customer requirements must be countered with questions about everything from nature conservation and key biotopes,

grazing damage, price negotiations and road-wear taxes. The high confidence enjoyed by the company in surveys among customers, contractors and suppliers, shows that Sveaskog is acting in a good way and has the right priorities. Although the results from these surveys are good, there is scope for further improvement.

Focus on the green transition

Sveaskog has a strong financial position which provides scope for being involved in the development of applications for wood raw material and residual products from the forest industry. Among other things, experiences from Sveaskog's part ownership of the biodiesel manufacturer SunPine makes the company well equipped to continue pushing the development of both biofuels and other more high-value products. In this way Sveaskog accepts active responsibility for participation in the green transition.

Sveaskog is involved in a large number of different projects aimed to increase the use of wood-based products and material. It is both feasible and important for the green transition to replace fossil and energy-intensive materials with wood. However, Sveaskog's involvement is not enough here. If Sweden is to convert to a sustainable society, politicians, the business community and academia must act together to identify activities and control mechanisms to accelerate this development.

Sveaskog has welcomed some 100 work experience participants and summer workers during the year, both new arrivals and others, in order to overcome social exclusion. These initiatives also improve long-term recruitment opportunities and strengthen the company's attraction as an employer. This is exemplary work of which Sveaskog's employees should be especially proud.

Stockholm, March 2017

Helene Biström
Chairman of the Board



“If Sweden is to convert to a sustainable society, politicians, the business community and academia must act together to accelerate this development.”

CEO's comments

We create business benefits from the forest's positive climate effects

2016 was characterised by favourable conditions in the forest. The industry announced investments and expansion at the same time as a growing number of stakeholders recognised the key role of the forest in climate work.

Due to successful business collaborations and good work throughout Sveaskog we achieved a favourable financial result in 2016 as well. The Board has proposed that the Annual General Meeting approves a dividend of SEK 800 million, which we are proud to be able to deliver.

Sveaskog has a strong balance sheet and issued a green bond for the first time in 2016 which was well received by investors. A strong balance sheet is of major significance for us since it gives us scope to continue to develop our operations and be a key supplier to the forest industry.

Continued high confidence

Sveaskog is Sweden's largest forest owner and therefore has a key role in contributing to the country's economic development. This includes creating job opportunities in rural communities. If we are to conduct a sustainable and profitable business over time, we must have satisfied customers. It is therefore gratifying that the autumn surveys show how satisfied they are with us. These results are stable and at a very high level. This confirms that there is considerable mutual confidence between us and our customers. It is particularly satisfactory to note that they give us the highest grade for delivery quality which is a central area for us.

Our contractors comprise an extensive part of our operations and carry out significant tasks in forest management, transport and other areas. A good dialogue with them is essential if we are to conduct sustainable business. Both our contractors and suppliers showed high confidence in us in the autumn surveys which is also highly gratifying and a good basis for continued value-creating cooperation.

Confidence in Sveaskog and forest management is an issue that is always on the agenda. We will continue to discuss how and why we manage the forests, Sveaskog's assignment and different local circumstances and challenges. Last year we started an important internal culture-bearing initiative centred



on ambassadorship and employeeship which we will continue to work on in 2017 and beyond. The aim is to increase employees' confidence and pride in the company.

Innovations for increased profitability

Our financial strength makes it possible for us to participate in innovation and development projects with other players and stakeholders. We give priority to projects that can contribute to the green transition and increased profitability. Everything that is made from oil can be made from our renewable raw material even when it is complicated. During the year we have seen growing interest outside the company as well for the creation of business benefits from the positive climate effects of the forest. When we evaluate a project it is of decisive importance that we can see that this might lead to commercialisation of new products or services. One example of a promising project is our cooperation with innovators, forest industry and the petrochemical industry where lignin and lignin oil are extracted from the pulp mills' black liquor. This project is now being conducted as a pilot and the plan is a commercial launch for the product within a couple of years.

During 2016 we took yet another step in business development when we signed our first agreement on ecological compensation. This concept means that Sveaskog provides land and maintenance to companies which need to acquire compensation land. Potential customers include companies that operate mines or wind power plants. We believe that demand for this concept will increase.

Another example of how we have developed the business during the year is our new fishing permit and short-term leases for small and large game hunting. The fishing permit is valid for more than one thousand stretches of water in northern Sweden. The short-term hunting leases apply in some areas of the country. Both initiatives have been successful and we have managed to make our land available to more people. Spurred on by this success, we will introduce these lease forms in

“Due to successful business collaborations and good work throughout Sveaskog we achieved a good financial result in 2016 as well”

more places in Sweden in 2017.

During 2016 we also became involved in the integration question, an area in which we have been active previously. We have called our integration project “Growing Power!” and since the start in April last year we have welcomed 35 trainees and 72 young people for summer jobs in order to broaden the recruitment base and increase interest in working in the forest industry. I would like to congratulate all employees and contractors who made this possible and hope for an equally good result for our integration initiatives this year.

From the customer survey we can also see that customers expect us to continue to work with sustainability issues. Sveaskog wants to be the leading company within sustainable forest management and to utilise and develop forest climate benefits. We therefore conduct active silvicultural activities with responsible regeneration in order to ensure sustainable removals from our forests. Our removals are 70% of growth. One consequence of our forest management is that the forests will look different in the future. They will be more varied with more deciduous trees and older, large trees. At the same time trees that are felled will on average be younger and of smaller dimensions than today.

Extensive nature conservation

Sveaskog wants to set a good example when it comes to nature conservation. We have chosen to set aside one fifth of our productive forest land as nature conservation areas. During 2016 we took yet another initiative to strengthen nature protection when we agreed with the Swedish Environmental Protection Agency on long-term protection of valuable ancient and natural forests in the Swedish counties of Norrbotten and Västerbotten. The agreement covers 41 forest areas and means that some of Sweden's largest and most valuable ancient forests from a nature conservation point of view will become nature reserves. The total area is approximately 47,000 hectares of our forests including 29,000 hectares of productive forest land.

Our ecoparks are part of our nature conservation work. Management of the ecoparks is dictated by their ecology. In September 2016 we inaugurated the 37th ecopark in the area of Västmanland that was so

tragically affected by fire. Today, the area is full of life which includes a number of red-listed species which are now getting a chance to establish themselves. It is fantastic that this area that was so badly damaged can become Sweden's largest contiguous deciduous forest.

Reduced dependence on fossil fuels

As part of contributions to the green transition and to reduce dependence on fossil fuels, we are working to reduce our own carbon dioxide emissions. Our operations depend on a large number of heavy road transports and they account for almost two-thirds of the carbon dioxide emissions that Sveaskog generates. We are therefore working intensively together with our contractors to increase the use of renewable fuels and improve logistics. Starting in 2017, it will be possible to use 74-tonne vehicles which is a welcome decision since it makes our transports more efficient and climate smart. We are also focusing on changing to renewable fuel in the forest machines. These measures will enable us to achieve a dramatic decrease in carbon dioxide emissions.

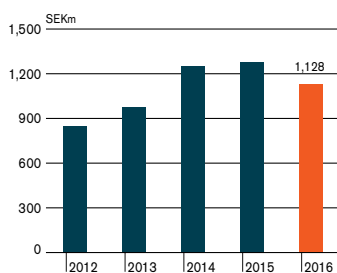
To further show our support for internationally recognised business ethical norms and our long-term commitment to sustainability issues, we have been signatories to the UN Global Compact since 2005 and we publish a report in accordance with the Global Reporting Initiative.

As Sweden's largest forest owner, our operations affect many stakeholders and we create both direct and significant indirect values. We play a key role in keeping rural areas alive and make forest and land available to the public. We also have a considerable responsibility to take care of the forest in a way that is sustainable over time so that future generations can share the value of the forests. The right management also gives us the greatest climate benefit from the forest. In 2017 we will continue to create value by working towards our vision to be the leading forest company.

Stockholm, March 2017

Per-Olof Wedin
President and CEO

Operating profit from continuing operations, SEKm



Performance measures

| | 2016 | 2015 |
|--|--------|--------|
| Yield, % (target at least 4.5%) | 4.2 | 4.7 |
| Net debt/equity ratio, multiple (target 0.3–0.6) | 0.40 | 0.41 |
| Return on operating capital, % | 5.8 | 10.3 |
| Return on equity, % | 6.0 | 10.6 |
| Interest cover, multiple 1) | 6.3 | 6.2 |
| Equity ratio, % | 52 | 51 |
| Interest-bearing net debt, SEKm | 7,937 | 8,089 |
| Average number of employees | 844 | 851 |
| Total delivery volume, thousand m ³ sub | 10,684 | 10,748 |

1) Operating profit before change in value of forest assets minus capital gains on property sales plus financial income divided by financial expenses.

This is Sveaskog

Thousands

of people hunt and fish in the company's forests and lakes

Operates in

200

municipalities

100%

State-owned

Sweden's largest

**forest
owner**

844

average number of
employees in 2016

Engages

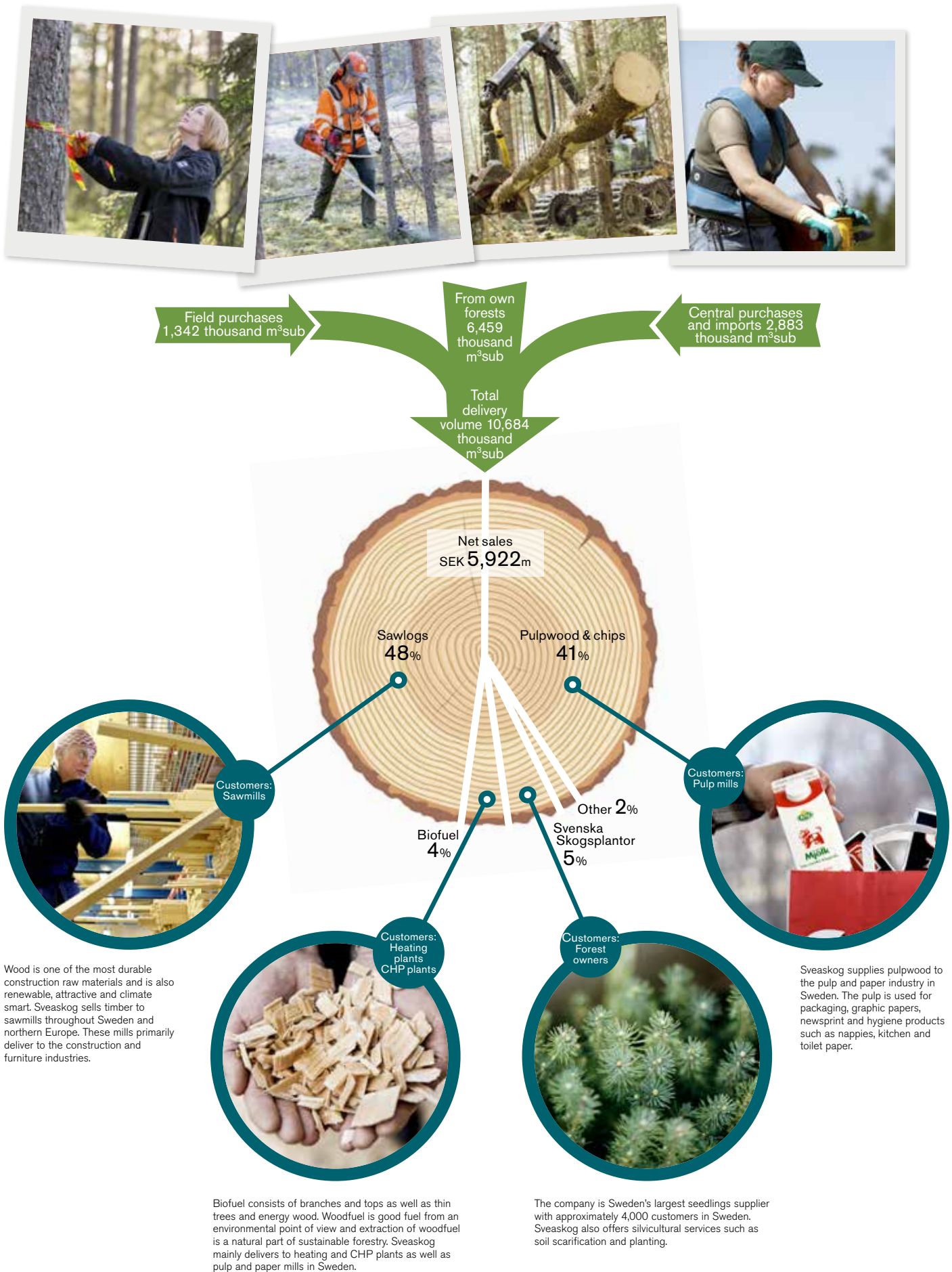
1,400

contracting companies
throughout Sweden

Owns

**42,200 km
of roads**

FOREST MANAGEMENT



Vision, mission and values

Governance of Sveaskog is based on the company's vision, mission, strategies, shared values and objectives.

Vision

Sveaskog's vision is to be the leading forest company. The aim of the objectives and strategies described on the next page is to achieve this vision.

Mission

Sveaskog's mission is "Growing power. For generations."

Sveaskog creates growing power by contributing to customer competitiveness, jobs and a living countryside, to increased forest growth and rising forest values, to employee development and a profitable company.

"For generations" means that we act responsibly in a long-term perspective and we accept responsibility for a green transition and increased climate benefit.

Values

Values indicate how employees should act and react to each other and their business environment. All work in the company is characterised by the values Customer Focus, Innovation, Simplicity and Transparency.

The company works with value-driven leadership and employeeship. These values include how Sveaskog conducts business, how employees should act as co-workers and colleagues as well as the responsibility managers and leaders have for developing employees and conducting business. The values mean among other things that employees must be professional and understand customer needs, take initiatives and be innovative. Leaders have a special responsibility for creating an innovative climate and an open culture with feedback where both managers and employees learn from successes and failures.

Customer Focus, Innovation, Simplicity and Transparency are Sveaskog's values that characterise the company's entire operations. The results from the most recent Customer Satisfaction Index survey were presented in September. Sveaskog achieved the highest grade for delivery quality.

Pictured here Johanna Rovasaari, Timber Administrator, and Per Sidenmark, IT Specialist at Sveaskog in Piteå.



Strategies for good, long-term value development

Sveaskog's operations affect the whole of Sweden. The company has therefore chosen a broad perspective for its activities and selected strategies to create a good, profitable business based on its major forest assets.

Sustainability is an integrated part of Sveaskog's strategic planning. Work on strategies is based on an analysis of the entire value chain and on dialogue with stakeholders.

When the company analyses the value chain the most relevant environmental, social and economic issues are studied and identified. This analysis, which is based on the state ownership policy and the company's own experience, takes into account both direct and indirect values created by the operations. In this way the company achieves an understanding of how its operations affect others.

Ten principal stakeholder groups that either affect or are affected by operations have been identified. These groups are customers, owner, employees, contractors, timber suppliers, tourism companies as well as hunters, anglers, etc., reindeer herders, credit providers, authorities and nature conservation organisations.

Dialogues with stakeholders are ongoing both in daily operations and at a company-wide level. These dialogues provide insight into what stakeholders expect from Sveaskog and the issues they consider most important for the company.

Based on analysis of the value chain and stakeholder dialogues the company then drafted a materiality assessment which resulted in six strategic areas. These are:

- Confidence
- Economic performance

- Climate effects
- Customer satisfaction
- Biodiversity
- Equal opportunity, diversity and skills supply

The company has set overall priorities to create profitability and long-term growth in value, ensure a high level of confidence in forest management and contribute to the green transition.

Clear and measurable targets

The six strategic areas are linked to five objectives with their own detailed strategies and quantifiable indicators. Efforts to achieve these targets are regularly evaluated and the targets are revised annually when the business plan is drawn up. The business plan provides the basis for decisions on priorities and is a five-year plan. The financial targets are yield and net debt/equity ratio.

Sveaskog complements its financial reporting with a sustainability report prepared according to the Global Reporting Initiative (GRI G4 level Core) and reviewed by the auditors. Notes to the sustainability report are provided on pages 48–53. Sveaskog's entire GRI index with explanation of indicators is provided on pages 54–55 and on the website at www.sveaskog.se.

Sveaskog has been a member of the UN Global Compact since 2005.

Sveaskog's objectives and strategies



Sveaskog creates significant values

Sveaskog is Sweden's largest forest owner and a leading supplier of sawlogs, pulpwood and chips. Through its business and strong market position, Sveaskog creates significant economic values.

Sveaskog owns 14% of the Swedish forests and conducts active forest management to optimise growth. Most of the wood raw material is sold to Swedish sawmills and pulp mills. These in turn account for a substantial part of Swedish export industry with significant operations in rural areas and small communities.

The direct economic values Sveaskog creates include payments to contractors and suppliers. Almost half of operating expenses, SEK 2 billion, comprise payments to contracting companies. Sveaskog uses approximately 1,400 contracting companies which handle transports, road maintenance and the majority of forest management assignments. Most of these contractors operate in rural areas.

SEK 535 million of operating expenses is used for salaries and other employee benefits. At year-end 2016 the number of employees was 674. Since part of operations are seasonal, such as forest planting, many people are employed for a limited period. Including temporary employees, the average number of full-time equivalents (FTEs) was 844 in 2016. Most of employees work in rural areas or small communities.

Sveaskog estimates that the company, including contractors, employs directly and indirectly approximately 5,400 people in Sweden. These people generate an estimated approximately SEK 580 million per year in state and municipal income tax.

Strong financial position

Sveaskog's profitability is in line with owner requirements and the financial position is strong which allows the company to provide a dividend to its owner the Swedish state. Over the past five years the company has paid SEK 7.0 billion in dividends to the Swedish state as well as SEK 711 million in corporate tax.

The forest, which has a book value of SEK 34.4

billion, also generates significant indirect values. One key area is the benefit the forest has for the climate by binding carbon dioxide. The company's forests bind approximately two million tonnes of carbon dioxide per year which corresponds to approximately 120% of Stockholm's total road transport emissions. Since the positive climate effects of the forest are greatest while it is growing, Sveaskog creates added value through its active forest management. The company's aim is to optimise growth and at the same time meet its high ambitions for nature conservation. Among other things, Sveaskog has set aside 20% of its productive forest land for nature conservation.

More applications broaden the business

Increased use of wood and forest land contributes both to a long-term growing business and major climate benefits. Sveaskog therefore takes part in various projects and activities designed to create new applications for wood and forest land.

The forest is an important resource for tourism and for Sweden's image. Internationally, eco-tourism is a fast-growing area and by leasing land and water to entrepreneurs Sveaskog helps to increase interest for tourism in Sweden. The basis for every cooperation with tourism companies is a long-term approach as well as sustainable and commercial business.

Sveaskog is Sweden's largest owner of private roads with more than 40,000 km of road. These roads make the forests accessible to both forest management, local residents and other activities, such as reindeer herding, tourism, hunting and recreation. The company keeps these roads open and every year spends about SEK 200 million on maintaining and building new roads. The forests are also important for recreation and leisure activities and Sveaskog tries to enable more interested parties to hunt and fish on the company's lands.

Breakdown by stakeholder of direct values reported by Sveaskog:

| SEKm | Stakeholder | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------------------------------|--------|--------|--------|--------|--------|
| Revenues | From customers | 6,406 | 6,371 | 6,500 | 6,361 | 6,619 |
| Operating expenses | To suppliers and contractors | -4,345 | -4,245 | -4,411 | -4,468 | -4,850 |
| Employee wages and benefits and social security costs | To employees and the Swedish state | -535 | -526 | -522 | -552 | -535 |
| Net interest expenses | To loan institutions | -188 | -207 | -280 | -291 | -317 |
| Tax | To the Swedish state | -134 | -174 | -155 | -131 | -117 |
| Dividend to shareholder paid during the year | To the Swedish state | -800 | -800 | -450 | -435 | -4,473 |
| Value retained | | 404 | 419 | 682 | 484 | -3,673 |

Sveaskog also invests in local communities among other things with maintenance of roads and trails as well as road and information signage. The table only contains the values that can be measured and they are reported according to GRI indicator EC1.

Targets and performance 2016

Sveaskog measures and follow up its targets regularly using a number of different indicators. Indicator results are a central component in the annual review of business plans and strategies.

The most profitable forest company in the short and long term

| Indicator | Metric | Value 2014 | Value 2015 | Value 2016 | Target 2020 |
|-----------------------------|------------------|------------|------------|------------|--------------|
| Average yield 4.5% per year | Yield | 5.0 | 4.7 | 4.2 | At least 4.5 |
| Confidence in Sveaskog | Confidence index | 78 | 78 | 78 | 80 |

The objective is to create growth in value for the owner in both the short and long term. The owner has set a profitability target of an average yield of at least 4.5% per year.

To ensure good long-term value development as well, long-term felling plans are drawn up to ensure sustainable removals from the forest. Adding to the value of forest assets through purchases and sales as well as exchanges of forest land also ensures a good long-term growth in value. Financial targets and results are shown on pages 24–25.

The ability to operate and create value depends on the general public, customers and employees having a high degree of confidence in both Sveaskog and the industry. In order to foster increased confidence, the company therefore involves itself in public debate and participates in industry initiatives aimed at gaining public confidence that the forest is being managed responsibly.

Good ethics are essential for building confidence and a strong brand. The Code of Conduct sets out how employees and the company should conduct themselves with each other, with customers, contractors and other stakeholders. In all procurement processes, Sveaskog also requires contractors and suppliers to comply with the Code of Conduct, the UN Global Compact and general sustainability requirements. The ability to meet these requirements is monitored regularly and if non-conformances are found, a dialogue is initiated and the cooperation may be discontinued if the non-conformances are not corrected.

Sveaskog has a whistle-blower function on the website where suspected violations of the Code of Conduct can be reported anonymously. Since the end of 2015, this function has been managed and investigated by an external party. One notification was received in 2016. This matter has been investigated and closed.

Forest growth today affects raw material removals for future generations. Pernilla Forsberg, Logistician, and Jan-Erik Berglund, Felling Leader, examine growth in a young forest in Piteå.



Customers' preferred and most knowledgeable partner

| Indicator | Metric | Value 2014 | Value 2015 | Value 2016 | Target 2020 |
|---------------------|--|------------|-----------------|------------|-------------|
| Satisfied customers | Customer Satisfaction Index sawmill customers | 75 | — ¹⁾ | 72 | 80 |
| | Customer Satisfaction Index pulpwood customers | 66 | — ¹⁾ | 64 | 70 |
| | Customer Satisfaction Index biofuel customers | 68 | — ¹⁾ | 69 | 70 |
| Satisfied suppliers | Supplier Satisfaction Index | 73 | — ¹⁾ | 71 | 70 |

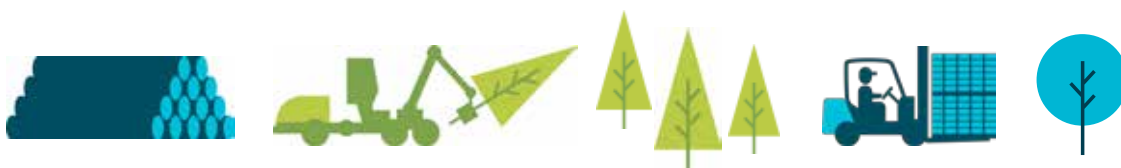
¹⁾ No measurements in 2015.

The objective is that customers should perceive Sveaskog as their preferred and most knowledgeable partner. Satisfied and profitable customers are the foundation of value-creating sustainable business. Work on developing customer relationships is part of daily work and includes employees developing business and business models together with customers.

A customer survey to obtain a picture of how customers' view the company and how well Sveaskog meets their expectations, is conducted every two years. Almost 120 interviews were conducted in September 2016 and customers from all the main product range were represented, i.e. sawlogs, pulpwood and biofuel.

Although customer satisfaction fell slightly among sawmill and pulpwood customers, levels remain very high for operations of this type. Furthermore, 43% of customers felt that their relationship with Sveaskog had strengthened and 50% that it was unchanged since the previous survey in 2014.

The most important thing for customers is that the company delivers the right quantity and quality at the right time. Customers give Sveaskog the highest grade for delivery quality. They also consider that work with sustainable development is important and find that the company has an open dialogue with customers, the public and stakeholder organisations.



Preferred choice for employees and contractors

| Indicator | Metric | Value 2014 | Value 2015 | Value 2016 | Target 2020 |
|----------------------------------|--|------------|-----------------|-----------------|-------------|
| Good leadership and employeeship | Employee Motivation Index | 64 | 70 | — ²⁾ | 75 |
| | Leadership Index | 65 | 73 | — ²⁾ | 75 |
| | Contractor Satisfaction Index felling | 70 | — ¹⁾ | 72 | 73 |
| | Contractor Satisfaction Index silviculture | 73 | — ¹⁾ | 76 | 73 |
| At least 30% women by 2020 | Proportion of women % | 20 | 21 | 22 | 30 |

¹⁾ No measurement in 2015. ²⁾ Next measurement in 2017.

Surveys show that mixed groups perform better and therefore the target is to increase the proportion of women in the company. Greater diversity is important for the ability to ensure skills requirements are met over time and for the continued development of operations. During the year, Sveaskog initiated an extensive internal programme centred on cultural and leadership issues. There was also a focus on integration and equal opportunity.

Sveaskog works with approximately 1,400 contractors throughout Sweden who together provide services corresponding to 1,600 full-time employees. These

contractors and their expertise are therefore important for Sveaskog's ability to build confidence and deliver long-term value growth. In order to be able to work with the most motivated and skilled contractors, the aim is that contractors will regard Sveaskog as their preferred choice. Contractors' opinions of the company were measured during 2016 and contractors within both felling and silviculture have become more satisfied with Sveaskog as a client.

Read more about how Sveaskog works with its contractors on pages 20–21 and on employees on pages 18–19.

Leading within innovation and efficiency

| Indicator | Metric | Value 2014 | Value 2015 | Value 2016 | Target 2020 |
|--------------------------------|--------------------------------|------------|------------|------------|----------------------|
| Increased efficiency, change % | Total productivity | +12.3 | +3.2 | -1.4 | At least 2% per year |
| | Total productivity/volume unit | +5.3 | +2.5 | 0.0 | At least 2% per year |

Sveaskog wants to be seen as a leading player within innovation and efficiency. Innovation and development work focus on projects to increase productivity in forestry, reduce environmental impact and create new applications for wood and forest land. Projects are conducted in close cooperation with customers and other stakeholders. It is important that projects can lead to commercial launches of new products or services. Read more about Sveaskog's innovation work on pages 22–23.

Sveaskog has a target to increase internal efficiency and change programmes are ongoing. In order to be able to evaluate efficiency improvements, changed earnings are measured in fixed prices, so-called total productivity. The lower levels compared with previous years is mainly due to lower volumes and higher investment in silvicultural measures. The target is an improvement of at least 2% per year.



Leader within sustainable forest management

| Indicator | Metric | Value 2014 | Value 2015 | Value 2016 | Target 2020 |
|--|--|------------|------------|------------|-------------|
| Carbon dioxide emissions to be reduced by at least 30% in 2010–2020 | CO ₂ emissions tonnes per delivered thousand m ³ sub | 14.1 | 13.6 | 11.8 | 10.0 |
| 90% of environmental values maintained in forest management without significant impact | Consideration Index | 87 | 94 | 95 | 99 |

The objective to be a leader within sustainable forest management means that management must optimise growth in the forest and at the same time ensure that environmental targets are met. Long-term silvicultural measures involving planting, cleaning and thinning can increase carbon dioxide sequestration.

Sveaskog's nature conservation work covers the entire scale from landscape to individual trees as well as trees and tree groups. These initiatives include both leaving areas untouched and active measures to increase natural values.

The Consideration Index measures the proportion of environmental values achieved in forestry without major impact. The Consideration Index improved in 2016. The improvements primarily took place in avoiding hauling damage and damage to ancient monuments. However,

measurements showed that there are some areas of the country where processes and routines for sensitive biotopes and protected zones need to be improved.

In line with conducting sustainable forest management, Sveaskog has a target to reduce its own and contractors' emissions of fossil fuels by using renewable fuels and climate-smart transports. Carbon dioxide emissions continued to fall during 2016. The target is to reduce carbon dioxide emissions by at least 30% by 2020 compared with 2010. So far, carbon dioxide emissions have decreased by 21% since 2010.

Read more about the major importance of the forest for climate change on pages 14–15. Where you can also read more about how Sveaskog works to reduce its own carbon dioxide emissions. Efforts to maintain or develop biodiversity in the forest are reported on pages 16–17.

Growing forest good for the climate

The forest's sequestration and the use of forest products reduce carbon dioxide by an amount corresponding to Sweden's entire fossil emissions. It is therefore important to conduct active forest management and work to increase the use of wood and wood-based products such as wooden multi-storey buildings.

Sveaskog has identified climate effects as a strategically important area which affects both priorities and working methods. Counteracting climate change demands active forest management as well as an increased use of wood. One stated goal is to reduce the use of fossil fuels in our own operations.

The global climate agreement COP21 reached by the international community in December 2015 was a significant step for the industry since the agreement stresses the positive climate effect of both the growing and felled forest. Forest management is described as a success factor for preventing the Earth's temperature from increasing by more than two degrees.

Active forest management for the climate

The forest provides the greatest climate benefit through active management where mature trees are felled to be used in various products and new trees are planted. The forest binds most carbon dioxide when it is young and middle-aged since growth is then at its greatest. This makes high demands on long-term sustainable forest management to maximise returns over time while increasing the sequestration of carbon dioxide.

One consequence of climate effects is that Sveaskog's forest management must anticipate changed weather conditions with storms and higher temperatures. These preparations include adapting tree stocks to the tracts' future conditions, adapting thinning and cleaning, developing felling on ground that will not bear forest machines and continuing work with the development of seed and plant material.

Focus on transport and logistics

Together with its contractors, Sveaskog has succeeded in increasing the use of renewable fuels and improving logistics. Transports account for nearly two-thirds of the carbon dioxide emissions generated by Sveaskog's

operations. Every year there is a total of 290,000 road journeys or 795 per day. Each journey is on average 100 kilometres which means that Sveaskog's road transports cover two trips round the globe every day.

The focus is on increasing the proportion of renewable fuels for transports and felling among other things by using biofuel, so-called HVO diesel, which is made from slaughterhouse waste and forest residues. Converting to renewable biofuel in the forest machines as well can dramatically reduce carbon dioxide emissions.

A lot of effort is put into logistics to make transports more efficient and reduce emissions for example by increasing the proportion of backhauls and moving road transports to rail. However, there is often no train that can be used and so the company is contributing to the development of vehicles that can take greater volumes. It will be possible to make transports more efficient and climate-smart from March 2017 when the use of 74-tonne vehicles will be permitted. Yet another activity to reduce emissions is Eco driving training for both lorry drivers and machine operators.

Innovativeness

When the wood raw material is used in different products it replaces the often energy intensive and fossil resources in, for example, building materials, packaging, vehicle fuels and energy. Sveaskog therefore participates in various development and innovation projects and lobbies for the increased use of wood raw material. Products that can be produced from wood include vehicle fuels and chemicals. Read more about innovation work on pages 22–23.

Sveaskog also contributes to the green transition by leasing land for wind power. Today there are some 260 wind turbines producing an annual total of 1.7 terawatt-hours (TWh) on the company's land.

Sveaskog participates in lobbying to increase awareness of the forest's significance for the countryside as well as export industry and the climate. This work includes letting children and young people get to know the forest.



Sveaskog's carbon footprint including contractors and hauliers

| Tonnes carbon dioxide | 2014 | 2015 | 2016 | Change on 2015, % |
|---------------------------------------|-----------|-----------|-----------|-------------------|
| Forestry and felling | 50,000 | 56,000 | 48,000 | -14.3 |
| Transports | 84,000 | 69,000 | 65,000 | -5.8 |
| Road building | 13,000 | 16,000 | 10,000 | -37.5 |
| Electricity and heating | 5,000 | 4,000 | 2,000 | -50.0 |
| Travel | 1,000 | 1,000 | 1,000 | ±0 |
| Total carbon dioxide footprint | 153,000 | 146,000 | 126,000 | -13.7 |
| The forests' uptake of carbon dioxide | 2,000,000 | 2,000,000 | 2,000,000 | ±0 |
| Net uptake of carbon dioxide | 1,847,000 | 1,854,000 | 1,874,000 | +1.1 |

The calculation of how much carbon dioxide Sveaskog's forests can bind is based on a study of the role of the forest in climate work (2008) by the Swedish University of Agricultural Sciences (SLU) and GEOpartner AG.

Nature conservation for increased biodiversity

Sveaskog wants future generations to be able to experience varied forests with a rich fauna. Therefore, the company works with nature conservation on different scales and long-term ecological landscape planning.

All activities carried out by Sveaskog in the forests can affect biodiversity. This makes biodiversity a strategic key area for Sveaskog and the ambition is to set an example regarding nature conservation. The intention is to improve the quality of nature conservation in the forests while adapting forest management to outdoor and experience values in popular areas.

Sveaskog's nature conservation covers everything from landscapes to individual forests as well as trees and tree groups. The company leaves forests untouched and works with habitat management. The aim is to retain or develop biodiversity in the forest. Activities are primarily aimed at conserving old natural forests, re-establishing or developing new deciduous forests and saving existing deciduous forests from threatened invasion by spruce. Nature conservation work increases the proportion of old forest and creates forests that are more varied and species-rich.

Sveaskog has chosen to set aside 20% or approximately 600,000 hectares of its productive forest land as nature conservation areas. This is the level which national and international researchers consider necessary for forestry to be combined with retaining the forest's diversity of flora and fauna. The company uses three tools in its nature conservation strategy: ecoparks, nature conservation forests and consideration for nature in production forests.

Half of the nature conservation areas are set aside as nature conservation forests and the remaining 300,000 hectares are landscape set-asides in the form of ecoparks or consideration for nature when felling. All Sveaskog's forest holdings including the nature conservation forests can be found on the interactive map on our website www.sveaskog.se.

Öjesjöbrännan, the 37th ecopark, inaugurated

In 2003 Sveaskog started a nationwide nature conservation project which has resulted in 37 ecoparks. An ecopark is a large contiguous landscape of at least 1,000 hectares with high natural values. How the ecoparks are managed depends on their ecology and roughly half of the ecopark areas is set aside as nature conservation forests.

In summer 2014 the Västmanland region was ravaged by the biggest forest fire seen in Sweden in modern times. Almost 140 square kilometres were ablaze with considerable damage as a result. The fire

was a catastrophe for people, but not for nature. The area supports fungi and insects on the dead tree trunks which in turn provides conditions for other species to establish themselves. Today many rare species have found a home in the fire-ravaged area. In autumn 2016 Sveaskog inaugurated its 37th ecopark – Öjesjöbrännan – in the area. The ecopark covers 1,500 hectares and the burnt forest is left to develop freely.

Nature conservation forests throughout the country

Sveaskog sets aside those forests that have the highest natural values as nature conservation forests. These vary in size from a half hectare to several hundred hectares and are distributed throughout the forest holdings. If the company discovers a new forest worthy of protection, it exchanges this for forest with lower natural values. This gradually increases both the quality and nature conservation usefulness of the set-aside forests.

Most of Sveaskog's nature conservation forests in the northern part of Sweden are left to develop freely. Further south, extensive management is used to restore or reinforce natural values.

Selective felling

Sveaskog believes that selective felling has a role to play in the future and is running a development project to see how these methods can be applied and what effect they have in different areas. During the year criteria have been established to highlight the effects of different types of selective felling forestry. Work on applying these methods and evaluating the effects will intensify during the coming year in dialogue with various stakeholders, especially in the three pilot areas in Rogberga southwest of Jönköping, Tiveden and Kulbäcksliden northwest of Vindeln.

Consideration for nature when felling

The largest direct impact on the landscape and biodiversity is made by felling. Sveaskog therefore leaves key habitats for flora and fauna untouched. These areas can include edge zones, sensitive biotopes and natural value trees. Also when thinning and cleaning in production forests, trees or tree groups, edge zones and sensitive biotopes are left untouched.

One of the company's targets is that there should be no serious hauling damage when felling. During 2016 the outcome has been good with only a few reports of hauling damage.

Regular follow-up

Sveaskog continually develops working methods to ensure that the company meets its commitments and certifications. Compliance is regularly checked through audits and spot checks. All non-conformances are

| Sveaskog's forests | | | |
|-----------------------------------|------|------|------|
| Million hectares | 2014 | 2015 | 2016 |
| Total land area | 4.04 | 4.04 | 4.01 |
| - of which productive forest land | 3.12 | 3.12 | 3.11 |

All forests FSC® certified

All Sveaskog's forests are FSC® certified, which provides a guarantee that the forest is managed responsibly. All felling is planned based on the requirements in the Swedish FSC® standard which take economic, environmental and social factors into account. The FSC® standard is also applied when felling is commissioned by a third party. For imports the requirement is that the timber must be certified. To help both consumers and companies make responsible purchases, Sveaskog has a FSC® traceability certificate which makes it possible to trace the origin of a product.

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



reported in the company's environment and quality management system and result in immediate action.

Reported non-conformances can include hauling damage, damage to sensitive biotopes, damage to archaeological or cultural remains, inadequate planning compensated by a machine team, quality of thinning, felled natural value trees, too high stumps and thinned areas.

Good audit report despite FSC® non-conformance

Following external audits, no non-conformances were noted for the ISO 14000 and traceability certificates, which is considered almost unique in an audit context. For FSC® a significant non-conformance was reported regarding quality failings in nature conservation planning. Work on rectifying the non-conformance was started immediately with a cause analysis and action plan. This work was coordinated with general quality activities in nature conservation planning throughout Sveaskog. The non-conformance has now been corrected within the stipulated time and approved by the FSC® auditor.

More variety through consideration for nature

Sveaskog's nature consideration work will result in the forests being more varied in the future. Swedish productive forest land is dominated today by conifers but the amount of deciduous dominated forest is increasing. There will also be more older, large trees because of today's consideration areas and set-asides. In the future more fallen tree trunks and other dead wood will be left in the forests. Species that have been long threatened with extinction will become more viable when their habitats are recreated. There will be more fish in lakes and watercourses thanks to the retention of vegetation in the edge zones. At the same time, those trees that are felled in the production forests will on average be younger and of smaller dimensions.

Cooperation with reindeer herders

Prior to felling, Sveaskog consults reindeer herders and makes husbandry plans. In 2016 models were developed to produce and display management plans

per Sami village. The management plans will be tested and evaluated at several Sami villages during 2017.

Environmental responsibility

Sveaskog has worked for a long time to reduce the use of insecticides in forestry. In the business area Svenska Skogsplanter the company has developed an eco-friendly protection against the pine weevil. The protection, which is sold under the name Conniflex, was launched in 2010 and is a protective coating consisting of a water-based adhesive and sand. Plants treated with Conniflex have a survival rate of 90–95% for the first two years. The survival rate for untreated plants varies depending for example on soil conditions, but is significantly lower.

Sveaskog's main environmental risks can be attributed to various historical operations by companies in the group. Some of these operations have caused contamination of land and water on properties which the group owns or has owned. The company can have a responsibility to clean up some of these areas.



New nature reserve. In 2016, Sveaskog reached an agreement with the Swedish Environmental Protection Agency for long-term protection of valuable ancient forests and natural forests in the counties of Norrbotten and Västerbotten. A total of 47,000 hectares of land will be protected of which 29,000 hectares are productive forest land. The forests will remain in Sveaskog's ownership.

Culture and motivation

key topics for employees

Motivated employees with relevant skills are a prerequisite for the company to be able to run an efficient and profitable operation. To recruit employees with the right skills and ensure that they feel motivation and pride, Sveaskog must be an attractive employer.

In the autumn Sveaskog started a project to encourage employees to be ambassadors for Sveaskog and forest management. The ambassadorship is about representing Sveaskog both during and out of working hours and having confidence in and feeling proud of the company. Some 100 employees have participated in focus groups which discussed among other things incentives for working at Sveaskog and expectations and demands on employeeship and leadership. This material will form the base of a strategy and an improvement action plan as well as criteria for Sveaskog's employeeship and leadership.

One way to increase attractiveness as an employer and broaden the recruitment base is to increase

equality and diversity in the company. During autumn 2016 a skills supply plan was prepared which, in addition to general skills supply, covered succession planning, talent processes and equal opportunity.

Mandatory equal opportunity training

During 2015/2016 all managers were tasked with leading web-based equal opportunity training for their staff. The managers in turn had been prepared through a one-day course on the subject. Since 2016 this training has been part of the introduction for new employees. As contractors are a significant part of Sveaskog's operations, a pilot project has been started where some 60 people from contractor companies will be given equal opportunity training.

Project to broaden the recruitment base

During 2016 Sveaskog ran a project to broaden the recruitment base and promote interest in working in the forest industry. The target was to be able every year to offer at least 25 work experience places and at least 75 summer jobs in mixed silviculture teams. Work experience participants are offered both forest-related and non-forest-related training blocks and the placements are both in the office and in the field. The aim is

Customers ask for more volumes than Sveaskog can fell on its own lands. Therefore the company buys timber from other forest owners. Stefan Wiker works as a timber buyer at Sveaskog.



The largest personnel categories

| | |
|------------------|-----|
| Machine operator | 132 |
| Area managers | 91 |
| Nurserymen | 33 |
| Timber buyers | 29 |
| Felling foremen | 24 |
| Other | 365 |
| Total | 674 |

to broaden awareness of the forest industry and create interest for training for a forestry profession or continuing a professional career in the forest industry. Work experience participants must either be registered in the Swedish Public Employment Service's establishment programme or be registered job seekers. During 2016 Sveaskog took in 35 work experience trainees.

In 2016 Sveaskog increased the number of summer jobs to be able to take in more young people with an overseas background. The aim is to integrate young people and demonstrate that there is a future in forestry. A total of 72 young people had summer jobs at Sveaskog and of these 22 were born abroad.

Students on forestry courses are offered summer jobs in the company and pupils from agricultural colleges are offered work experience in term time.

The company also arranges such things as forest days for new immigrants and summer camps for Swedish and immigrant children to break social exclusion. The camp activities are part of the Swedish forestry sector's and the schools' joint programme Forest in School. Sveaskog is a partner in the project Youth Speculates where pupils in years 5–8 share their views on how the forest should be used in the future.

Sveaskog worked actively with the psychosocial environment in 2016. The company has prepared measurable targets and will among other things ensure that all managers get work environment training. Since 2016 the psychosocial working environment is a standing agenda item at safety committee meetings and the company will introduce tools for safety inspections of a psychosocial nature.

Improvement of the year

For many years employees have been involved in the internal campaign "Improvement of the year". Employees nominate and vote for "Improvement of the year" in various categories associated with the company's values. For 2016 the improvement of the year in the category "Simplicity" was a simplification of nature conservation efforts in the Hornsö ecopark. In the category "Transparency" the title went to the involvement of students from agricultural colleges which will ensure a comeback in the machine operator trade. Within "Customer focus" the winner was the improved registration of interest for forest purchase and land leasing on the website sveaskog.se. In the category "Innovation" the model for integration of new immigrants was judged "Improvement of the year".



Annika Tegbro is an area manager at Sveaskog and is responsible for consultation with two Sami villages in Gällivare. She has improved the process of consultation with reindeer herders prior to felling decisions by photographing the area to be felled before the consultation. This improved the decision-making material and allowed decisions to be reached more quickly. In 2015 Annika Tegbro received the Improvement of the year award in the category "Simplicity".

High demands on contractors

Contractors are an important part of Sveaskog's daily operations. Every year they carry out assignments for the company corresponding to 1,600 full-time equivalents.

Contractors are used for assignments in felling, silviculture, transports and roads. Contractors carry out all assignments in the areas of roads and transports. In silviculture they are responsible for 95% of assignments and they carry out 75% of felling assignments. During 2016 Sveaskog procured contractor services for just over SEK 2 billion.

Contractors are often small companies which operate locally. They are frequently family-owned and have a few forest machines or lorries. Sveaskog's assignments to contractors improve conditions for rural development.

Clear demands and ongoing checks

Ensuring that contractors deliver the high quality which is important for Sveaskog's customers requires good cooperation with regular dialogue. Sveaskog also makes clear and relevant demands as well as carrying out ongoing follow-ups and checks. Errors and non-conformances result in immediate action from Sveaskog.

Cooperation with contractors is a strategic area and the company wants to engage the most committed and skilled contractors. During 2016 their opinion of the company was surveyed and contractors within felling and silviculture were even more satisfied with Sveaskog as a client.

All contractors, just like other suppliers, must follow Sveaskog's Code of Conduct and the UN Global Compact's general sustainability requirements. For suppliers, all ten new framework agreement suppliers in 2016 signed the UN Global Compact's requirements. This means that 65 out of 71 or 92% (89) have signed the requirements. Two follow-ups with site visits took

place during 2016 at two framework agreement suppliers. In 2015 a requirement that all silvicultural contractors must be PEFC certified was introduced and in 2016 all were certified.

Sveaskog prepares a service agreement for all business relations with contractors. In the service agreement the contractor commits to following all laws and regulations. In addition, Sveaskog makes several specific demands such as the providers' skills and training in aspects such as working environment and environmental consideration.

Systematic follow-up of suppliers

Compliance with the service agreement is checked through Sveaskog or a third party making ongoing follow-ups as well as field checks or on-site audits at the contractor. Checks are targeted or made as spot checks. During 2016 these checks were broadened and increased both in the field and at the contractors. These checks have focused on working environment, terms of employment, and safety.

Sveaskog also cooperates with the Swedish Tax Agency and UC which means that some 4,000 suppliers are monitored daily with regard to VAT, operating licence, F-tax and ability to pay. This contributes to fair competition on equal terms which favours serious companies.

Sveaskog permits subcontracting at one level only and subcontractors must be approved by Sveaskog before they may carry out any work. If the contractor has employees from abroad, all regulations, for example tax legislation and work permits, must be complied with for all personnel affected.

Regular training

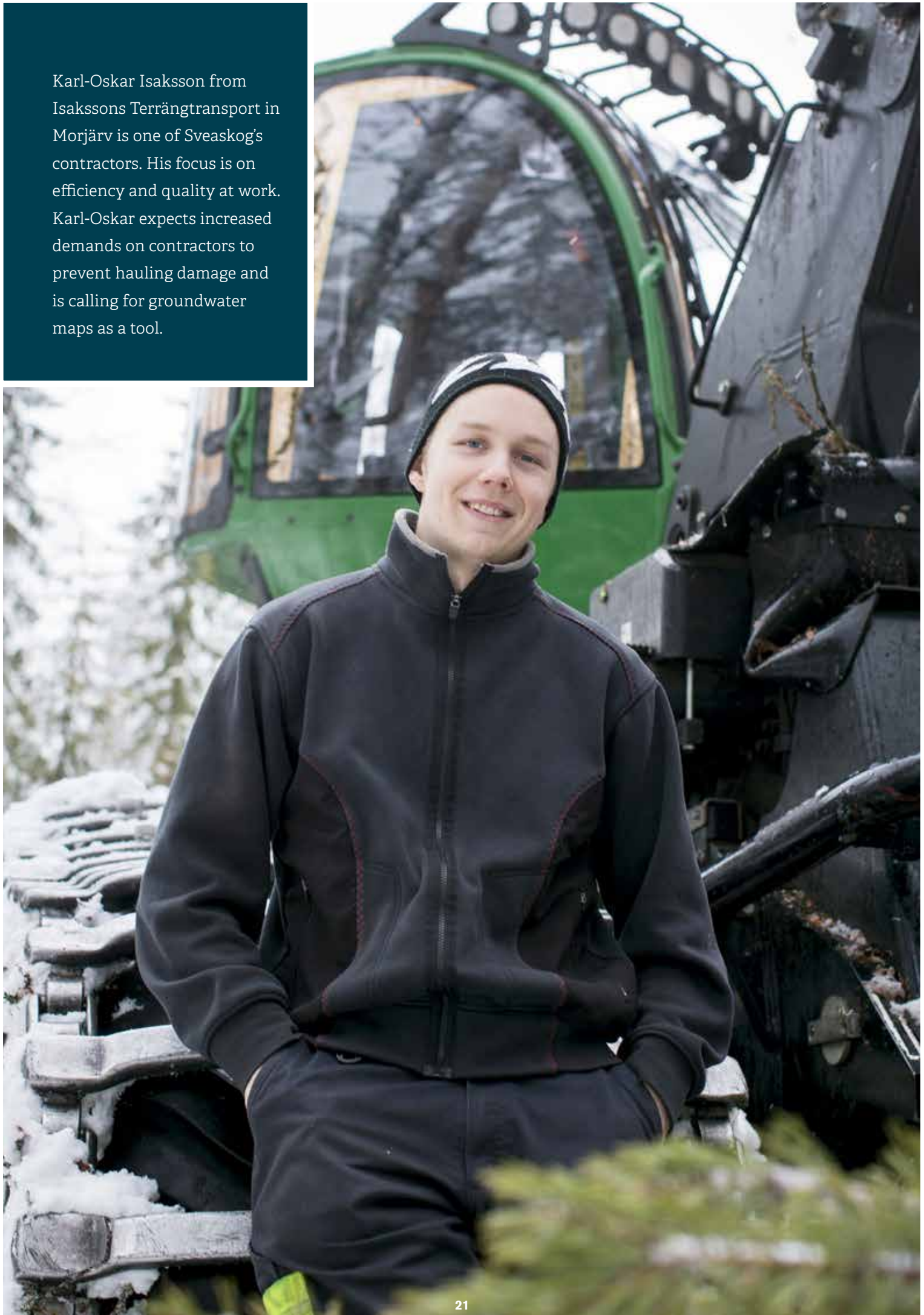
All field personnel within silviculture must undergo training using Sveaskog's web-based silviculture school each year. The training is followed by an exam and a pass result is needed to be allowed to carry out activities for Sveaskog. Affected personnel also receive annual training in Sveaskog's implementation requirements for felling, for example.

A priority area for Sveaskog is reduced climate impact from transports and sustainability at contractors is therefore a focus area. Transports account for almost two-thirds of Sveaskog's carbon dioxide emissions. By reducing the use of traditional diesel, environmental impact can be significantly reduced. The rate of improvement has increased rapidly over the past three years and developments have gone from various mixtures of rapeseed methyl ester to HVO diesel which has approximately 50% lower carbon dioxide emissions compared with ordinary diesel. In 2016 carbon dioxide emissions from Sveaskog's road transports were approximately 20% lower than in 2010.



To increase the number of women in forestry, some 60 people from contracting companies have received equal opportunity training organised by Sveaskog. From left: Lennart Hansson, Dalfors skogsentreprenad, Lisa Liljenstrand, Sveaskog and Tomas Kolmodin, Vallsta skogsmaskiner.

Karl-Oskar Isaksson from Isakssons Terrängtransport in Morjärv is one of Sveaskog's contractors. His focus is on efficiency and quality at work. Karl-Oskar expects increased demands on contractors to prevent hauling damage and is calling for groundwater maps as a tool.



Innovation for increased profitability

Sveaskog works together with other stakeholders to turn innovations and developments into value-creating solutions and reduced climate impact.

Innovation and development work is focused on three types of project: those which improve productivity in forest management, those which reduce environmental impact, and those which create new uses and added value for wood raw material and forest land. Projects which contribute to the green transition and improve profitability are given priority.

Development projects are run in close cooperation with customers and on many occasions stakeholders from the value chain participate. Sveaskog places great importance on working close to customers and to operations. An important aim is that projects can lead to commercialisation of new products or services.

Examples of efforts that can increase productivity while reducing environmental impact are various initiatives aimed at developing tomorrow's forest machines. These will impact the ground and the climate less than today's. Sveaskog also works with breeding seedling material to get better growth and survival. An example of this is the new micro-plants which give better plant quality and mean that fewer greenhouses are needed for propagation thus reducing energy consumption.

To increase the use of wood and forest land, Sveaskog has identified four areas on which activities will be concentrated. These are: timber, green fuels and

chemicals, material from residues, and ecosystem services. An important effort in the wood-related area is to increase the use and value of residues from the forest and forest industries such as black liquor and sawdust.

Timber

The focus is on developing timber products and timber value chains for use in everything from interiors to construction. This is done by such things as research and knowledge transfer in cooperation with sawmills, wood products companies, sector institutions and knowledge centres. One example is the development of building systems for wooden multi-storey buildings. Another is an initiative to increase the use and attractiveness of pine, for example by surface treatment and improved durability.

Sveaskog works with sawmills to increase the yield and value of the wood raw material. An example is that Sveaskog works together with a sawmill group to systematically x-ray timber. This allows the sawmill's final quality yield to be associated with the timber's tract and the raw material flow can be steered more efficiently to customers which improves resource usage and increases customer value.



SunPine in Piteå has expanded at lightning speed through extracting fuel from the pulp mill residue raw tall oil. Experience from participation in SunPine has prepared Sveaskog for continuing the development of both biofuels and other higher-value products.





Since 2010 Svenska Skogsplantor has reduced its carbon dioxide emissions from heating greenhouses by 70%. This successful result was obtained using new biofuel and innovative cultivation methods that reduce fuel consumption.

Green fuels and chemicals

Together with other stakeholders Sveaskog is developing processes to produce biofuels from forest raw material and forest industry residues.

The extraction of lignin and lignin oil from the pulp mills' black liquor is an area where Sveaskog co-operates with innovators, forest industry and the petrochemical industry. The project has left the laboratory stage and is running on a pilot scale with the aim of commercialisation within a couple of years.

Experience from participation in SunPine has prepared Sveaskog for continuing the development of both biofuels and other higher-value products. SunPine is world leader in production of renewable vehicle fuel. The company produces some 100,000 m³ of raw tall oil diesel annually which corresponds to 2% of all diesel sold in Sweden. The raw ingredient is tall oil, a residual product from kraft pulp mills which is completely fossil-free and carbon dioxide neutral. In 2016 SunPine inaugurated a new resin production facility in Piteå. The target is production of 24,000 tonnes of resin annually. Resin is a raw material with adhesive qualities that is used for making glue, printing ink and paint.

Material from residues

An area which is judged to have considerable potential is work on 3D printing from wood-based material such

as forest residues, sawdust and wood powder for rapid prototyping of building material such as insulation, stucco and surfaces. A test-bed project was started in autumn 2016. Another project is focused on the material for 3D printers itself and the technology for producing it.

Another area where residues are used is the production of fish food. Sveaskog has been involved for several years in developing fish food from forest residues. In 2016 the project has reached a stage where commercialisation of the product is being investigated.

Ecosystem services

In spring 2016 Sveaskog made its first agreement on ecological compensation. Ecological compensation should compensate for loss of natural values caused by various types of operations such as mining and wind power. Sveaskog has developed a model for compensation land and expects the demand for this to increase. The model means that Sveaskog provides both land and management to someone who needs to acquire compensation land.

During 2016 Sveaskog together with other stakeholders studied how a Swedish habitat banking system for ecological compensation might be designed. Habitat banking is a market-based environmental solution to compensate for loss of valuable nature.

Lower earnings in 2016 but good future prospects

In 2016, Sveaskog's deliveries of wood raw material decreased and prices were lower than in the previous year. This led to a lower operating profit from continuing operations. This, combined with a changed discount rate for the value of forest assets, meant that Sveaskog did not achieve its yield target in 2016.

Net sales decreased by 3% in 2016 to SEK 5,922 million (6,078). Delivery volumes fell by 1% and prices by an average of 2%. The lower delivery volumes had a negative impact on sales of SEK 122 million and the lower prices reduced sales by SEK 34 million. Demand for sawlogs and biofuel decreased during the year while delivery volumes of pulpwood and chips rose. The weak development for biofuel continued for the third consecutive year.

Lower operating profit from continuing operations

Operating profit from continuing operations decreased by 12% to SEK 1,128 million (1,280). Earnings were negatively affected by a 2% reduction in deliveries from Sveaskog's own forests and an average price fall of 2%. In addition, impairment losses of SEK 16 million were recognised in the forest seedling operations due to a predicted increase in obsolescence. Increased silvicultural ambitions as well as additional costs for processing storm-damaged forest had a negative earnings impact of SEK 26 million and SEK 20 million respectively. Earnings were positively affected by a one-time payment of SEK 60 million from the Swedish Environmental Protection Agency in conjunction with the establishment of a nature reserve. Earnings for 2015 included positive non-recurring items totalling SEK 83 million.

Capital gains from the sale of properties relating to forest land and standing timber amounted to SEK 131 million (78).

Operating profit before change in value of forest assets decreased by 4% to SEK 1,312 million (1,368). Change in value of forest assets amounted to SEK 319 million (1,432). The lower level is mainly due to the discount rate used when calculating the value of standing timber which was reduced from 6.25% to 5.95% in 2015. Operating profit after change in value of forest assets amounted to SEK 1,631 million (2,800).

Net financial items amounted to SEK –174 million (–214). Profit before tax amounted to SEK 1,457 million (2,586). Tax amounted to SEK –267 million (–569). Profit for the year decreased by 41% to SEK 1,190 million (2,017) due to lower operating profit from continuing operations and change in recognised value of standing timber.

Change in operating profit from continuing operations, SEKm

| | Full year |
|--|--------------|
| 2015 | 1,280 |
| Price own wood raw material | –33 |
| Delivery volume and stock level, own wood raw material | –34 |
| Processing storm-damaged forest | –20 |
| Silvicultural costs | –26 |
| Non-recurring items* | –39 |
| Other | 0 |
| 2016 | 1,128 |

* Non-recurring items refer to a combination of:

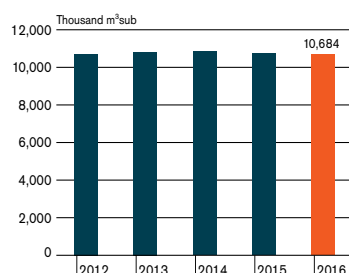
| | |
|--|-----|
| VAT remission (2015) | –36 |
| Permanent tenure, Environmental Protection Agency (2016) | +60 |
| Stock impairment forest seedling operations (2016) | –16 |
| Capital gain from sale of development land (2015) | –47 |
| Non-recurring items | –39 |

Cash flow

Cash flow from operating activities amounted to SEK 789 million (909). The decrease is due to lower operating profit.

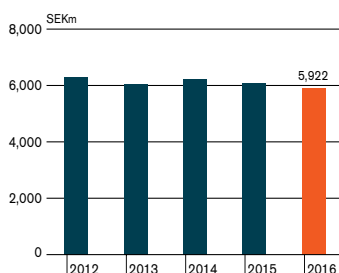
Investments in property, plant and equipment amounted to SEK 183 million (329) and mainly comprised forest machines. Investments in shares amounted to SEK 1 million (1). Sales of property, plant and equipment, primarily forest properties, amounted to SEK 298 million (234). Cash flow includes a dividend

Total delivery volume, thousand m³sub



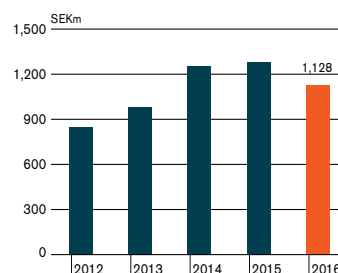
Deliveries solid under bark (sub) decreased by 1% in 2016.

Net sales, SEKm



Net sales decreased by 3% in 2016 due to lower delivery volume and average prices.

Operating profit from continuing operations, SEKm



Operating profit from continuing operations fell by 12% in 2016. The decrease was due to lower deliveries from own forests and price falls.

from the associate company Setra Group AB of SEK 5 million (32).

Strong financial position

Interest-bearing net debt decreased during the year by SEK 152 million to SEK 7,937 million (8,089) at year-end. At year-end, the loan portfolio mainly comprised loans issued under Sveaskog's MTN programme as well as a Swedish commercial paper programme. The loan volume under the commercial paper programme amounted to SEK 2,270 million (2,720) which is refinanced regularly. Under the MTN programme the outstanding volume at 31 December was SEK 4,990 million (4,290). The lowest average fixed interest period during the year was approximately 30 months. The net debt/equity ratio amounted to 0.40 (0.41). Interest cover amounted to 6.3 (6.2) and the gross borrowing cost was 1.80% (1.86).

Dividend

The dividend to be proposed to the Annual General Meeting amounts to SEK 800 million (800). During the years 2011–2015 Sveaskog has paid dividends totalling SEK 7.0 billion to its owner the Swedish state.

Financial targets

Sveaskog's owner, the Swedish state, has set the following financial targets for the company:

- Yield to amount to an average of at least 4.5% per year. Yield in 2016 amounted to 4.2% (4.7). Yield is affected to a considerable extent by the valuation of standing timber. Since the target was set in 2014, the value of standing timber and therefore of operating capital have increased due, among other things, to a change in the discount rate. This increase has had a negative impact on yield of 0.3 percentage points.
- Net debt/equity ratio 0.3–0.6. For 2016 the net debt/equity ratio was 0.40 (0.41).
- Over time the ordinary dividend to correspond to 65–90% of profit after tax excluding non-cash adjustments in value of standing forest after tax. A dividend is paid provided the capital structure target after the dividend falls within the target interval and taking into account implementation of the Group's strategic and investment requirements. The dividend payout ratio for the proposed dividend for the 2016 financial year is 85% (89).

Parent Company

Sveaskog AB (publ.), 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. Operating income for Sveaskog AB (publ.) in the year amounted to SEK 65 million (15), of which capital gains from property sales amounted to SEK 53 million (2). Profit after net financial items was SEK –196 million (–316). The Parent Company's costs mainly comprise interest expenses. The company has no employees.

Number of employees

The number of employees at year-end amounted to 674 (688). The average number of employees during the year was 844 (851).

Share of profits of associates

Sveaskog owns shares in companies where a group relationship does not exist. The holding in the wood products company Setra Group AB is the largest holding where Sveaskog owns 50% of the shares. 50% of Setra Group's profit is recognised as share of profits of associates in Sveaskog's income statement. Setra Group's net sales decreased by 4.2% to SEK 4,043 million (4,218) and operating profit amounted to SEK 153 million (47). Sveaskog's share of profits amounted to SEK 53 million (10).

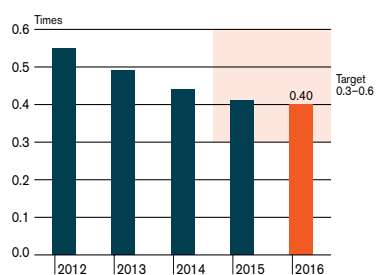
Market outlook

Sveaskog's opinion is that the market outlook for 2017 is good

Condensed income statement, SEKm

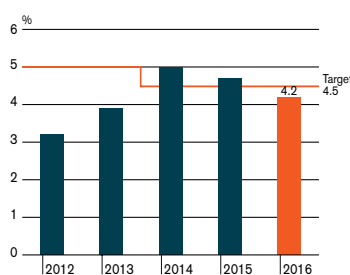
| | 2016 | 2015 | % |
|---|-------|-------|-----|
| Net sales | 5,922 | 6,078 | –3 |
| Operating profit from continuing operations | 1,128 | 1,280 | –12 |
| Change in value of forest assets | 319 | 1,432 | –78 |
| Operating profit | 1,631 | 2,800 | –42 |
| Profit before tax | 1,457 | 2,586 | –44 |
| Profit for the period | 1,190 | 2,017 | –41 |
| Cash flow from operating activities | 789 | 909 | –13 |

Net debt/equity ratio, multiple



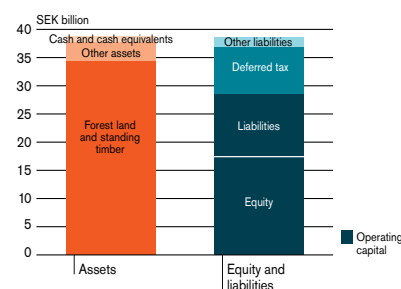
The target was decided by the 2014 Annual General Meeting. The target is a net debt/equity ratio of 0.3–0.6. This metric specifies net interest-bearing liabilities in the company in relation to equity.

Yield, %



The target was decided by the 2014 Annual General Meeting. Yield is to be an average of at least 4.5% per year. Yield shows return on operating capital where capital gains from property sales and change in value of forest assets are excluded.

Assets, equity and liabilities



The majority of the assets comprise standing timber which is valued in according with international accounting principles, IFRS.

Growing market for sawlogs

Sawlogs is the largest product area measured by sales. Sveaskog is a reliable supplier thanks to close cooperation throughout the chain from felling to final delivery. Sawmill customers are pleased with Sveaskog and appreciate most of all the high delivery quality.

Sveaskog has a wide range of sawlogs to satisfy customer requirements for volumes, species, grades and dimensions in an even flow throughout the year. The range includes timber from spruce, pine and various deciduous trees such as beech, oak and birch.

Sales can cover everything from standard deliveries to complex customer-specific orders. To meet customer demands Sveaskog can exchange timber with other forest owners or sell less common species such as maple and ash. The company also complements timber from its own forests with bought-in volumes.

Customers

There are some 130 sawmills in Sweden each producing at least 10,000 m³ annually. Sveaskog supplies about 70 of these. Customers are privately-owned family companies or global groups, often based in Sweden. They deliver in turn to primarily the construction and furniture industries.

In 2016 Sveaskog surveyed customer satisfaction and sawmill customers are the most satisfied. They place highest value on the company's ability to deliver the right quantity and right grade at the right time. To achieve such a high rating Sveaskog has worked consistently at being a reliable supplier which listens to its customers and constantly improves.

Since Sveaskog's value creation together with the sawmill customers begins out in the forest, close cooperation throughout the production chain is key to guaranteeing quality and delivery reliability. The company therefore encourages close and intense contact between machine operators, hauliers, felling foremen and other professional groups. With wise and prudent felling, Sveaskog will be a reliable supplier.

Market

The market for sawlogs is above all dependent on the state of the construction market. Nearly 70% of Swedish sawn timber is exported, which creates significant dependence on the international construction market and the exchange rate for the Swedish krona.

The four largest export countries for Swedish sawn wood products are the UK, Egypt, Germany and Norway. Nearly 20% of Swedish exports in 2015 were to North Africa. The trend is that exports to North Africa and the Middle East are decreasing which negatively affects the demand for pine, while exports to East Asia are increasing.

The world's largest exporters of sawlogs are Canada and Russia, followed by Sweden in third place. In 2016 the Canadian sawmills benefited from stronger demand from the US and the Russian sawmills had the advantage of a weak rouble and a strong Chinese market. In Europe, demand grew during the year as a result of a strong construction market.

The Swedish sawmills as a whole had a high level of production during the year. At the same time, the supply of sawlogs was good. For Sveaskog the increased supply on the market has meant that delivery volumes in 2016 fell by 2% to 4,607 thousand m³sub (4,713).

Outlook

The global demand for sawn wood products is expected to rise. Construction activity in Europe continues to increase, but there is little sign that the markets in North Africa will recover in the near future. Swedish demand is expected to remain good with a strong increase in construction.

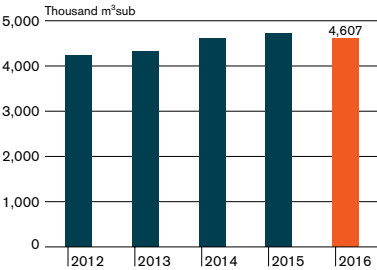


Demand for sawlogs is good due to increased construction. Above all, the use of wood in apartment blocks has risen significantly. In the next few years there are plans to invest a total of SEK 800 million in factories in Sweden for industrial-scale wood building systems.



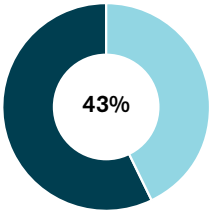
The refuge hut at the 2,000-metre summit of Kebnakaise is the highest located building in Sweden. It was designed by Murman Arkitekter. Martinsons, one of Sweden's leading wood processing companies, produced and delivered the wood for the hut which was ready in August 2016. Martinsons is one of Sveaskog's largest sawlog customers.

Delivery volumes sawlogs, thousand m³sub

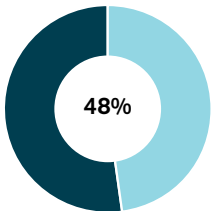


Sveaskog's deliveries of sawlogs decreased by 2% in 2016.

Share of total delivery volumes



Share of net sales



Good demand for pulpwood and chips

Pulpwood is the largest product area measured by volume. Customer satisfaction is at a high level and demand has been good during the year. The major investments being made in the Nordic pulp and paper industry are positive for future demand for pulpwood.

Sveaskog delivers pulpwood to the pulp and paper industry. The company has a wide range of pulpwood which comes both from its own forests and purchases from other forest owners as well as imports. The offering also includes cellulose chips from Sveaskog's own sawmill customers.

Customers

Sveaskog has some 20 pulpwood customers in Sweden which manufacture pulp for export or for use in Sweden for packaging, graphic papers and newsprint. Pulp is also used for hygiene products such as nappies, kitchen paper, toilet paper and feminine care products. Pulpwood from Swedish forests has qualities that make it especially good for packaging with high demands such as liquid cartons for milk and juice.

In 2016 Sveaskog surveyed customer satisfaction and pulpwood customers' satisfaction remains high. One of Sveaskog's competitive advantages is that the company has the capacity to offer a wide range of fresh pulpwood and cellulose chips. Another strength is long experience of working with pulp and paper customers as well as an understanding of the industry's processes and the international end market. One focus area has been to develop product logistics together with customers.

Market

About 80% of Swedish pulp is exported, mainly to Europe, followed by Asia. The industry's demand is

therefore dependent on the global economic climate and exchange rates.

In 2016 deliveries of pulp increased and Swedish production remained at a high and even level. Demand for cartonboard for packaging, packaging paper and hygiene products continued to rise while demand for graphic papers weakened. The strong demand for packaging and hygiene products compensated for falling volumes for graphic papers. Increasing global welfare has also led to growing demand for packaging and hygiene products.

The price reductions for pulpwood in recent years levelled out in 2016 and the supply of pulpwood and chips was good during the year. Swedish pulp mills have imported pulpwood, primarily from Norway. For Sveaskog, this development meant that delivery volumes increased by 2% to 5,298 thousand m³sub (5,167).

Outlook

Global market forecasts predict continued increased use of cartonboard for packaging, packaging paper and hygiene products. Growth is driven primarily by the Asian markets led by China. Demand for graphic papers will continue to fall. Considerable investments in the pulp industry are being made in the Nordic area. More than half the ongoing or planned increases in softwood pulp production are being made in the Nordic area which is positive for forest owners in the region.

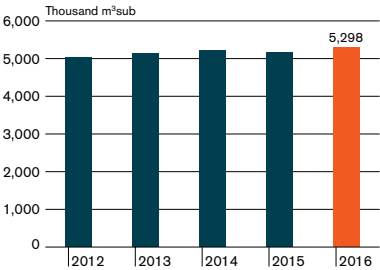
The largest volumes of pulpwood come from thinning and regeneration felling and consist of trunks that are too thin or have quality defects which mean that they cannot be used as sawlogs.





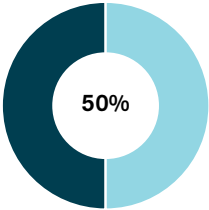
Sveaskog's pulpwood is processed for subsequent use as raw material for such things as nappies. A baby uses roughly 4,500 nappies and about 500 million are used every year in Sweden.

Delivery volumes pulpwood and chips, thousand m³sub

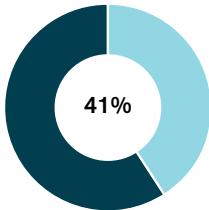


Sveaskog's deliveries of pulpwood and chips increased by 2% in 2016.

Share of total delivery volumes



Share of net sales



Biofuel meeting fierce competition

The market for biofuels has been tough for several years due to competition from other combustible material. In the longer term the market is expected to recover due to increased demand for renewable energy,

Biofuels consist of branches and tops (felling residue), thin trees and energy wood. The fuel comes from cleaning, thinning and regeneration felling in Sveaskog's own forests and through purchases from other forest owners.

Woodfuel is good from an environmental aspect. The carbon dioxide which is released at combustion is the same amount as the tree absorbed when it was growing and therefore woodfuel does not increase carbon dioxide in the atmosphere.

Woodfuel extraction is a natural part of sustainable forestry and is carried out with consideration for nature and culture based among other things on FSC® certification.



The carbon dioxide released at combustion of biofuel is the same amount as the tree absorbed when it was growing.

Customers

The Swedish biofuel market is local since lengthy transports incur increased costs which weaken the competitiveness of biofuel. Sveaskog therefore delivers primarily to customers in Sweden.

Sveaskog has some 50 customers, primarily heating plants, CHP plants and pulp and paper mills. In 2016 Fortum's CHP plant at Värtan in Stockholm was commissioned. The plant is Europe's largest bio-fuelled combined heat and power plant and runs on chips, bark, branches and twigs delivered by Sveaskog and others. The plant is expected to reduce carbon dioxide emissions by 650,000 tonnes annually.

Market

The market for biofuel has been weak since 2013 due to competition from other combustible fuels such as garbage and waste wood. Other factors that have contributed to weak market development are more efficient production and distribution of energy as well as low electricity prices.

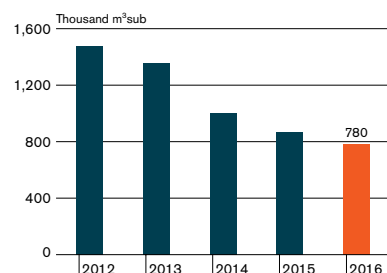
In 2016 demand for wood-based biofuels was good in southern Sweden but declined steadily further north in the country. This led to slight price increases in southern Sweden and a levelling off of prices further north.

Sveaskog's delivery volumes continued to fall in 2016 and decreased by 10% to 780 thousand m³sub (868).

Outlook

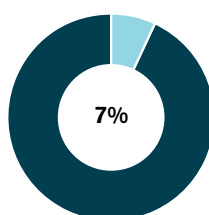
The market for biofuels has been tough in recent years due to competition from other combustible material. In the short-term demand is expected to continue to be weak. In the longer term the market is expected to grow due to increased demand for among other things renewable energy,

Delivery volumes biofuel, thousand m³sub

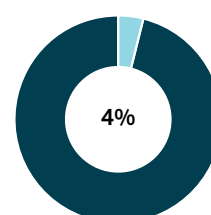


Sveaskog's deliveries of biofuel decreased by 10% in 2016.

Share of total delivery volumes



Share of net sales



Svenska Skogsplantor, concessions, hunting, fishing and lockage

Sveaskog is the Sweden's largest landowner and therefore has a special responsibility to offer hunters and fishermen without their own land opportunities for hunting and fishing. In 2016 the number of products for hunting and fishing has increased which has been much appreciated.

Sveaskog is more than just forestry and trade in wood raw materials. The company sells tree seedlings as well as silvicultural services and leases land for fishing, hunting, wind power, etc. Sveaskog also operates Mörrums Kronolaxfiske (salmon fishery) and the Hjälmare Canal.

Svenska Skogsplantor

Sveaskog cultivates and sells tree seedlings under the brand Svenska Skogsplantor. The company is Sweden's largest seedling supplier with approximately 4,000 customers. Svenska Skogsplantor also offer silvicultural services such as soil scarification and planting for external customers.

Operations consist of six nurseries, a seed processing unit and about 110 seed plantations. During 2016 sales amounted to 118.1 million plants (117.6) of which 41.6% (37) were delivered within the company. The bulk of the range is evergreen seedlings.

Concessions – fishing, hunting, wind power, etc.

Through various types of concessions the forests are made available for both recreation and business activities. Holders of concessions include companies in the energy and construction industries, tourism, private individuals, associations, municipalities and telecom companies.

During the year Fiske Nord was introduced. This is a fishing permit which is valid for over a thousand stretches of water in northern Sweden and it was a success. Another new initiative was small game hunting in Ånge and large game hunting for a short time at specific places. These products have attracted new customers and Sveaskog's online sales of hunting and fishing permits doubled in 2016. Increased availability of the forest and fishing is also positive for rural tourism. During 2017 the offering will be extended further with

among other things new destinations.

At year-end 2016 there was a total of 7,600 leases (7,600) and other concessions. Concessions for hunting and fishing dominate. The number of hunting rights amounted to 3,081. A total of about 25,000 hunters hunt on Sveaskog's land. At year-end 2016 Sveaskog had 1,495 fishing rights.

Among other concessions are rental contracts and leases for such things as farming, peat, gravel and rock quarrying as well as wind power and telecom equipment. During 2016, 20 wind power plants (25) were commissioned and in total some 260 wind power plants have been built on Sveaskog's land with an annual production of 1.7 terawatt-hours (TWh).

Mörrums Kronolaxfiske and Hjälmare Canal

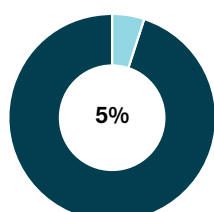
Sveaskog owns Mörrums Kronolaxfiske (salmon fishery) which was visited in 2016 by 250,000 tourists (250,000) from some 20 countries.

Hjälmare Kanal AB is also owned by Sveaskog and is Sweden's oldest navigable canal. The canal is 14 kilometres long and runs between the lakes Hjälmaren and Mälaren.

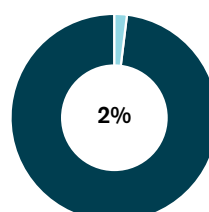


The fishing season at Mörrum starts in March with a chance to catch sea trout.

Svenska Skogsplantor's share of total net sales



Hunting, fishing and other business's share of total net sales



Active forest management is the basis of Sveaskog's operations

To get the most value out of the forest it must be managed in a planned and thoughtful way. It must be regularly cleaned and thinned and felled in an intelligent manner.

The Swedish forest covers an area larger than Great Britain. Sveaskog owns 4.01 million hectares or 14% of the total forest area in Sweden. The company has chosen to set aside one-fifth of its productive forest land for nature conservation. Work with nature conservation and increasing biodiversity is described on pages 16–17.

The forest that has not been set aside for nature conservation is managed so as to generate the highest long-term profitability and increased positive climate impact. The forest is planted, cleaned, thinned and regeneration felled. Cleaning is a prioritised activity and in general the company tries to carry out cleaning early in newly planted and young forests.

Every year Sveaskog carries out thinning and regeneration felling on some 40,000 hectares of its land. Removals from own forest are the parameter which has the greatest effect on the financial result. Felling levels are maximised in the long term so that levels do not need to be reduced in future. Felling levels are lower than growth in the forest. In 2016 felling amounted to 70% (71) of growth on managed land.

For each tree which the company fells, an average of three new ones are planted. Sowing as a regeneration method is also being used more frequently. In 2016 Sveaskog scarified, sowed, planted, cleaned and fertilised 81,408 hectares (77,375) of its own land. The forest land consists of conifers to just over 90%. Pine accounts for over 60% followed by spruce at just under 30%. The company is working in increasing the presence of deciduous trees in the forests.

Sveaskog also fells on assignment from other forest owners. When felling on other's land, the same demands are made on nature conservation as when felling on own land.

Felling is carried out by the company's own personnel and machines or by contractors. Sveaskog's own felling organisation consists of some 30 machine teams with a total of 132 operators (143).

Age of final felling is changing

The age spread in the Swedish forests is uneven which will affect future felling. At the end of the 19th and beginning of the 20th centuries management methods led to the forests being sparse with low productivity. After 1950 restoration of the forest was started which led to large areas with high growth but which are not yet ready for felling. The challenge is to be thrifty with the older forests while keeping felling levels up until the planted forests from the 1950s and later grow to an age when they can be final felled. A consequence is

that the age of final felling is decreasing. This trend is also driven by increased demand for smaller timber dimensions.

High economic values in the forest

The value of the forest assets is calculated every quarter according to the international accounting standard IAS 41 and reported in the financial statements. On 31 December 2016, the value of the forests amounted to SEK 34.4 billion (34.1). The calculated fair value of Sveaskog's forest assets has a significant effect on the reported operating profit but does not affect cash flow. Calculations and changes in value as well as assumptions and a sensitivity analysis are found in Note 15.

The forest also has an economic value for concessions for hunting, tourism, wind power and ecosystem services which are not included in the valuation.

Further, the valuation does not consider the high indirect values which the forest contributes. The forest is of considerable significance in creating positive climate effects through the growing forests' sequestration of carbon dioxide. Silviculture creates jobs in rural areas and smaller towns. Sveaskog's active nature conservation work contributes to biodiversity and creates forest with higher recreational values.

An important target for Sveaskog is to make the structure of its forest holdings more efficient and adapt it to the customer structure. The company is therefore one of the key players in the market for buying, exchanging and selling forest land.

In accordance with a parliamentary decision, Sveaskog must divest 10% of the land area the company had at its formation in 2002. Sales must be made under market terms and aim to strengthen private forestry. During 2016, 10,730 hectares (9,323) were sold. A total of 350,202 hectares or 8.03% has been sold in 2,133 deals.

| Sveaskog's forest assets | | | |
|--|--------|--------|--------|
| | 2014 | 2015 | 2016 |
| Book value according to IAS 41, SEKm | 32,518 | 34,097 | 34,377 |
| Taxable value, SEKm | 64,196 | 64,149 | 64,668 |
| Total deliveries, thousand m ³ sub | 10,838 | 10,748 | 10,684 |
| Deliveries from own forest, thousand m ³ sub | 6,561 | 6,570 | 6,459 |
| Timber extraction as proportion of net growth on own land, % | 72 | 71 | 70 |

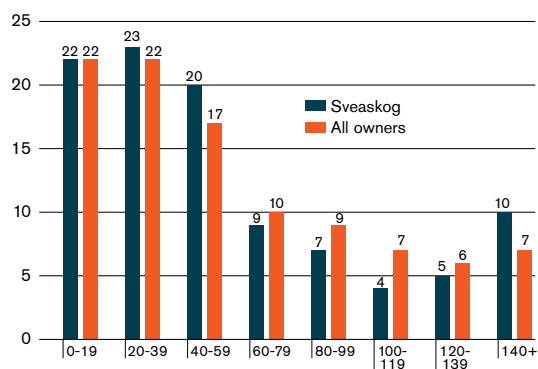
Green bonds

At the beginning of 2016, Sveaskog issued a green bond for SEK 1 billion. The Norwegian certification company DNV GL assessed Sveaskog as a pure-play green company which means the proceeds can be used to finance general operations.

In order to be designated as a pure-play green company, more than 90% of revenues must be derived from operations that are considered to have a clearly positive environmental impact. DNV GL examined, among other things, Sveaskog's sustainable forest production, certifications and nature conservation programme. Considerable emphasis was also placed on forest climate benefits.

The bond attracted considerable interest from investors and Sveaskog reports back to them every year through the company's annual report and sustainability report.

Forest land age classification for the whole of Sweden, Sveaskog and all owners, %



Age classification in the Swedish forests is uneven which will affect future felling.

Sveaskog's certificates

FSC® – forestry certificate own forest and group
 FSC® – traceability certificate
 PEFC – traceability certificate
 PEFC – forestry certificate group
 ISO 14001
 AEO customs simplification/security and protection
 Sveaskog's FSC licence number is FSC-C008344

Dividend and profit distribution

The Board of Directors proposes to the Annual General Meeting a total dividend for 2016 of SEK 800 million (800), which corresponds to SEK 6.76 (6.76) per share.

Proposed profit distribution, SEK
Unappropriated profit available to
the Annual General Meeting:

| | |
|------------------------|---------------|
| Profit brought forward | 9,123,293,439 |
| Profit for the year | -8,156 |
| Total | 9,123,285,283 |

The Board proposes that profit
be distributed as follows:

| | |
|--------------------------------|---------------|
| Dividend of shareholder | 800,000,000 |
| Carried forward to new account | 8,323,285,283 |
| Total | 9,123,285,283 |

Following the Board's dividend proposal, the Board of Sveaskog AB (publ) hereby makes the following statement pursuant to Chapter 18 Section 4 of the Swedish Companies Act.

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of the Group's profit after tax excluding non-cash adjustments in value of standing forest after tax. A dividend is paid provided the capital structure target after the dividend falls within the target interval and taking into account implementation of the Group's strategic and investment requirements.

The Board proposes to the Annual General Meeting that the total dividend for 2016 be SEK 800,000,000, corresponding to SEK 6.76 per share. The dividend, which comprises 85% of the dividend base, is proposed to take the form of a cash distribution.

Provided the 2017 Annual General Meeting resolves in accordance with the Board's proposed profit distribution, SEK 8,323,285,283 will be carried forward to new account. Full coverage exists for the company's restricted equity after the proposed distribution of profit.

The nature and scope of the company's operations are specified in the Articles of Association and the published Annual Report. The operations conducted in the company and the Group do not entail risks in addition to those that exist or can be assumed to exist

in the industry or risks inherent in conducting business activities. The company's and the Group's dependence on business cycles do not differ from those otherwise occurring in the industry. The Board's opinion is that after the proposed distribution of profit the company will have sufficient restricted equity in relation to the size of its operations.

The Board has taken into account the company's consolidation needs through a comprehensive assessment of the company's financial position and ability to meet its commitments over time. The company's financial situation is disclosed in the Annual Report. Here it is disclosed that the Group's net debt/equity ratio is 0.4. Sveaskog's adopted target for the net debt/equity ratio is 0.3–0.6. The Group's financial position is therefore strong.

The proposed dividend does not jeopardise the company's ability to make any necessary investments. The company has financial resources to meet unexpected events and temporary variations in payment flows to a reasonable extent. The company's financial position does not give rise to any assessment other than that the company is able to continue its operations and that the company is expected to meet its commitments in the short and long term.

The Board has taken into account the position of the Group and the company in other respects. The Board has therefore taken into account known circumstances that might be significant for the company's financial position and which have not been taken into account within the framework of the assessment of the company's consolidation requirements and liquidity. Among such circumstances taken into account by the Board can be noted such events and circumstances about which the company has provided information in the Administration Report, including those attributable to the period after the 2016 financial year was taken into account.

With reference to the above, the Board is of the opinion that the dividend is justifiable in view of the demands that the nature, scope and risks of operations place on the size of the company's and the Group's equity, as well as the consolidation requirements, liquidity and position in general of the company and the Group.

Risk and sensitivity analysis

One important aspect for creation of long-term values is to understand and be able to manage the risks that exist in operations. The entire company is involved in risk management and this is part of business planning. Significant risks are reported in the system for operational monitoring and planning.

Since the forest is regularly felled and replanted, Sveaskog has stable cash flows. This means that Sveaskog's economic risks are limited. There are, however, other risks that are systematically inventoried by Sveaskog. Sveaskog is exposed to financial, legal, market-related, operational, public opinion and social risks. The forests are also exposed to biological risks as well as weather and climate risks.

The extensive storm fellings in recent years have highlighted the weather and climate risks. At the same time, Sveaskog's forest holdings are spread throughout Sweden which evens out weather risks and biological risks. The forests are also insured against major extra costs.

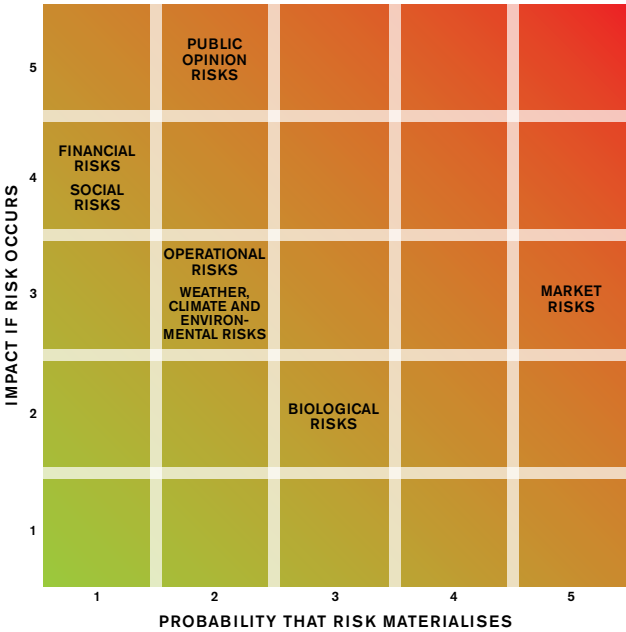
Sveaskog works to develop new products and businesses such as biofuel and eco-system services. The company also increases revenues from the forest by granting leases for hunting, fishing, eco-tourism and wind power. These activities provide a broader income base but can also involve risks.

Responsibility

Sveaskog's Board is responsible for the company managing risks correctly and ensuring compliance with adopted principles for financial reporting and internal control. The CEO has overall operational responsibility and has delegated to the CFO to conduct the risk management process. Operational responsibility rests with each profit unit and staffs and is followed up at management level.

Risk management process at Sveaskog

Risk management is an integrated part of annual business planning in the company and includes both profit units and staffs. All significant risks are identified, reported and compiled in the company's system for operational monitoring and planning. Reporting includes a description of the risk and actions taken as well as who is responsible. Each risk is assigned an evaluation



of probability and consequence on a five-point scale. The result of this evaluation provides the total risk value as illustrated in the above risk matrix.

The identified risks are evaluated and prioritised on the basis of the total risk value. Subsequently remedial actions are identified for assessed risks. Each remedial action is evaluated on the basis of its effect and how time- and cost-demanding the action is. Remedial actions are prioritised on the basis of what generates the greatest benefit per activity. These are carried out according to priority and available resources. Once an action has been taken, an assessment is made of whether it was sufficient to manage the risk concerned and the benefits of the action. The system for monitoring and reporting provides support for follow-up throughout the entire financial year.

How Sveaskog manages its key risks is shown on the next two pages.



Biological risks

| | RISK | | MANAGEMENT |
|------------------------------|--|---|--|
| Spruce bark beetle | Insect pest that has grown in number in the north of Sweden and the control area has been extended. In the south, attacks have subsided leading to a reduced control area. | ▶ | Fast processing of storm-felled timber and recently attacked standing trees. |
| Shortage of spruce seeds | Problems with spruce cone rust continue. Flowering has been absent for several years. Shortage of processed seed in Norrland can result in growth losses. | ▶ | Collection of stand seeds and/or external purchases. |
| Root rot | Value of standing forests decreases, trees die. | ▶ | Prevent attacks by treating stumps with spores during felling. |
| New pests become established | If, for example the nun moth, the mountain pine beetle or other pests become established in Sweden, large-scale destruction could result. | ▶ | Monitoring. |
| Game grazing damage | Game which graze on trees and seedlings reduce forest growth. | ▶ | Hunting, measures to increase access to feed, increased knowledge of game populations. |

Game grazing damage is a fact and amounts to approximately SEK 250 million per year on Sveaskog's land. An increase of 10% affects operating profit from continuing operations by SEK 25–50 million.

Financial risks

| | RISK | | MANAGEMENT |
|--------------------|---|---|--|
| Financial risks | Assets are partly financed by external loans. This constitutes a risk if a large borrowing requirement arises in a tight credit market. | ▶ | A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing. |
| Interest rate risk | The risk that Sveaskog is exposed to a disadvantageous interest rate situation with a large loan portfolio. | ▶ | Sveaskog's policy is an average fixed interest term on the loan portfolio of 12–48 months. |
| Credit risk | The risk that a counterparty is unable to fulfil obligations. | ▶ | The finance policy regulates maximum credit exposure in the investment portfolio. For commercial credit exposure some major customers are exempted, otherwise credit insurance is taken out for other customers. Regular credit committee meetings and information to the Board. |

Sveaskog's financial risks are described in detail in Note 28.

Operational and legal risks

| | RISK | | MANAGEMENT |
|---|--|---|---|
| Loss of FSC® certification | Lack of quality in silvicultural activities and consideration for nature as well as deficiencies in work and follow-up of social responsibility, can result in Sveaskog losing its FSC® certificate, which would have a significant impact on the timber business. | ▶ | Documented routines and work processes in all parts of the business, internal and external audits as well as training for continual improvements. |
| Forest management impact of various EU directives | The impact of various EU directives (at present primarily the Habitats Directive) on forest management as well as uncertainty in interpretation by national authorities. | ▶ | Follow and be present and influence the debate. Note interpretations made. |
| Urbanisation | Sveaskog's operations are represented in rural areas to a considerable extent. Urbanisation makes it difficult to recruit new labour and restricts access to contractors. | ▶ | Profiling of Sveaskog as an attractive employer. Cooperation with educational programmes. Working to achieve a functioning supplier market with healthy competition. Increased integration initiatives. |
| Impact of political decisions | National and EU directives, interpretations from authorities and their impact on forest management. | ▶ | Follow, participate in and influence debate. Monitor interpretations. |
| IT-related risks | Interruptions, computer hacking, virus attacks. | ▶ | High IT security and reliable backup routines. Information and training. |

| Market risks | | | |
|-------------------------|--|---|--|
| | RISK | | MANAGEMENT |
| Sawmill industry | At times poor profitability leads to sawmill closures and credit losses for Sveaskog. Restructuring may lead to fewer customers in local areas for Sveaskog's forest holdings. | ▶ | Active selection of customers and credit insurance. Priority given to cooperation with customers with long-term survival and profitability potential. Prioritise product development and innovation. |
| Pulp and paper industry | A few, dominant companies means a lack of competition and few alternative business and marketing opportunities. | ▶ | Expand market and customer capital. More efficient logistics and increased exports. Biofuel increases market outlets. Prioritise product development and innovation. |
| Energy sector | Increased competition from substitutes and low energy prices lead to limited market outlets. Elimination of companies and customers within Sveaskog's traditional markets. | ▶ | Be an efficient supplier of advanced, customer-oriented business concepts that provide added value and increased profitability for all parties. Prioritise product development and innovation. |

A change in the average price of wood raw material from own forests of 10% affects operating profit from continuing operations by approximately SEK 300 million. A change in delivery volume from own forests of an average of 10% affects operating profit from continuing operations by approximately SEK 200 million.

| Weather, climate and environmental risks | | | |
|--|--|---|---|
| | RISK | | MANAGEMENT |
| Climate change | Changed climate can increase the risk of storms, cause changes in precipitation, worsen forcing conditions and change vegetation boundaries. | ▶ | Tract adaptation, adapted thinning and clearing, developed forcing in poor conditions and work with processed seed and seedling material. Insurance. |
| Storm felling | Direct economic loss through lower operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage from bark beetle. | ▶ | Silvicultural measures that reduce risks: thinning, planting, increased proportion of deciduous trees, final felling at economic maturity. Good crisis organisation and logistics. Ability to move felling resources to storm-felled areas. Insurance against damage. |
| Contaminated land | Responsibility for contaminated land from earlier possible pollutants. | ▶ | Inventory, strategy and action plan for management and ongoing operations and possible treatment. |

In 2005 the storm Gudrun caused gross damage of SEK 750 million. Given today's insurance cover, a similar damage would affect operating profit from continuing operations by approximately SEK 450 million. Sveaskog's insurance cover is described in detail in Note 26.

| Social risks | | | |
|---|--|---|---|
| | RISK | | MANAGEMENT |
| Timber imports from undesirable origins | Purchases from, for example, Russia and the Baltic countries can present risks linked to illegal felling, corruption and labour law. | ▶ | Sveaskog's Code of Conduct as well as certification and clear guidelines for tracing and documentation of purchased raw material, which govern the company's actions and follow-up. |
| Contractors | Contractors which fail to meet commitments can constitute a risk linked to working environment, health, safety and labour law. | ▶ | Code of conduct, guidelines for procurement of contractors as well as follow-up and control of compliance reduce risks. |
| Corruption | Unclear guidelines and routines lead to a risk of bribes, bribery and corruption. | ▶ | Continuous training and dialogue, Code of Conduct, clear guidelines, internal control, possibility to report violations anonymously. |

| Public opinion risks | | | |
|---------------------------|---|---|---|
| | RISK | | MANAGEMENT |
| Opinions about the forest | Opinions about the use of the forest which restrict forestry can affect profitability and the value of forest land. | ▶ | Active participation in the forest debate. |
| Reduced confidence | The brand and confidence in the company can be affected and thus customer relations and cooperation. | ▶ | Code of conduct, internal routines, active information work and ongoing dialogue with stakeholders. |

Sveaskog offers trainee positions to reduce exclusion. Rickard Brink and Destalem Fiseha had summer jobs at the Lugnet nursery in 2016.



Corporate governance report

Sveaskog is a limited company owned by the Swedish state. Governance of Sveaskog is based on the Swedish Companies Act, the State ownership policy, the Swedish Code of Corporate Governance (the Code) as well as applicable Swedish and foreign legislation and regulations.

This corporate governance report has been prepared as part of Sveaskog's application of the Code. The report has been reviewed by the company's auditors.

In accordance with the State ownership policy and guidelines for state-owned companies, Sveaskog has deviated from the Code in three instances:

- Preparation of decision on nomination of the Board and auditors, which means that Sveaskog has not appointed a nomination committee.
- With regard to reporting of Board members' independence in relation to the state as a major owner, which is not reported since the Code in this respect focuses on companies with a diverse ownership base.
- Date and location of the Annual General Meeting shall be stated on the company's website in conjunction with the interim report for the third quarter. Here Sveaskog has chosen to comply with Nasdaq Stockholm's rules for issuers and therefore provided details of the planned date of the Annual General Meeting in the year-end report.

ASSIGNMENT

Sveaskog is owned by the Swedish state. According to the state's ownership policy, state-owned companies must have value creation as their overall objective. This means that the companies must operate in a long-term manner, efficiently and profitably, be allowed to develop and create value through sustainable business.

According to the articles of association, Sveaskog owns and manages real and personal property, conducts forestry operations and forest industry as well as related business activities. The core business is forest management. Sveaskog must also be an independent player without major interests as an end user of wood raw material. The company can also conduct related activities if these contribute to higher returns. Sales of land on market terms shall enable reallocation of land holdings and add-on purchases for private forestry, particularly in rural areas. Sales of land shall be carried out until 10% of the land area owned by the company at its formation in 2002 has been divested. Operations shall be conducted on a commercial basis and generate a market return.

ANNUAL GENERAL MEETING

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the Parent Company Sveaskog AB (publ) was held on 26 April 2016 in Stockholm. The 2017 Annual General Meeting will be held on 26 April 2017. More information about the 2017 Annual General Meeting is provided on page 91 in Sveaskog's Annual Report with Sustainability Report 2015 (in Swedish).

According to the State ownership policy, guidelines for companies with state ownership and the articles of association, members of parliament are entitled to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public.

Nomination process

The State ownership policy and guidelines for state-owned companies specify a different nomination process than that prescribed by Code with regard to the Board and auditors. Nomination of the Board is coordinated by the Government Offices of Sweden. The Government Offices of Sweden also submit a proposal for the Chairman of the Board and chairman at the Annual General Meeting. Nomination of members of the Board is presented in the notice of the meeting and on Sveaskog's website.

The Government Offices of Sweden is responsible for election of auditors and a decision on this is made at the Annual General Meeting. A proposal for election of auditors is presented in the notice of the meeting and on Sveaskog's website. Auditors are appointed with a mandate period of one year. The practical work of procurement of auditors is handled by the Board's audit committee together with the company and owner.

BOARD OF DIRECTORS

The Board is responsible for the company's organisation and management of the company's affairs. According to the articles of association, the Board shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The articles of association do not contain any regulations on the appointment or dismissal of Board members. The company's legal counsel is the secretary to the Board.

Composition of the Board

Seven Board members were elected at the 2016 Annual General Meeting. Leif Ljungqvist, Annika Nordin and Sven Wird were elected as new members of the Board. Johan Hallberg and Birgitta Johansson-Hedberg resigned as members of the Board. Following the 2016 Annual General Meeting, the Board comprises four women and three men. The Board also has two employee representatives and two deputies for them.

The work of the Board

The work of the Board is governed by the Board's formal work plan. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board meets its commitments. According to the formal work plan the Board shall

normally hold eight meetings per year, in addition to its statutory meeting in conjunction with the Annual General Meeting. The formal work plan stipulates which issues should be examined at each meeting and which specific issues should be submitted to the Board. The work plan also states that the Chairman, on behalf of the Board, shall consult with representatives of the owner on matters of decisive significance to Sveaskog. The work plan also contains details of the Chairman's role in the Board and on assignment of responsibilities and tasks between the Board and the CEO. Every year the Board evaluates the work of the Board and monitors the work of the CEO on an ongoing basis. At least once a year the work of the CEO is evaluated without any member of group management being present.

The Board held nine meetings in 2016, including two strategy meeting. In addition to processing standing items on the agenda, the Board made a decision to issue green bonds, received a presentation of the sawmill market and conjunction with this discussed Sveaskog's holding in Setra Group AB, examined sustainability issues and the definition of sustainable forest management as well as Sveaskog's environmental risks.

Board committees

The Board's committees prepare issues ahead of a decision by the Board. Guidelines for the work of the committees are found in the Board's formal work plan.

In addition, there are special instructions for the property committee and the audit committee. Issues examined by the committees are minuted and reported at the next Board meeting.

Remuneration Committee

Prepared issues related to remuneration and terms of employment for senior executives. The Remuneration Committee consists of Helene Biström (chairman) and Eva Färnstrand.

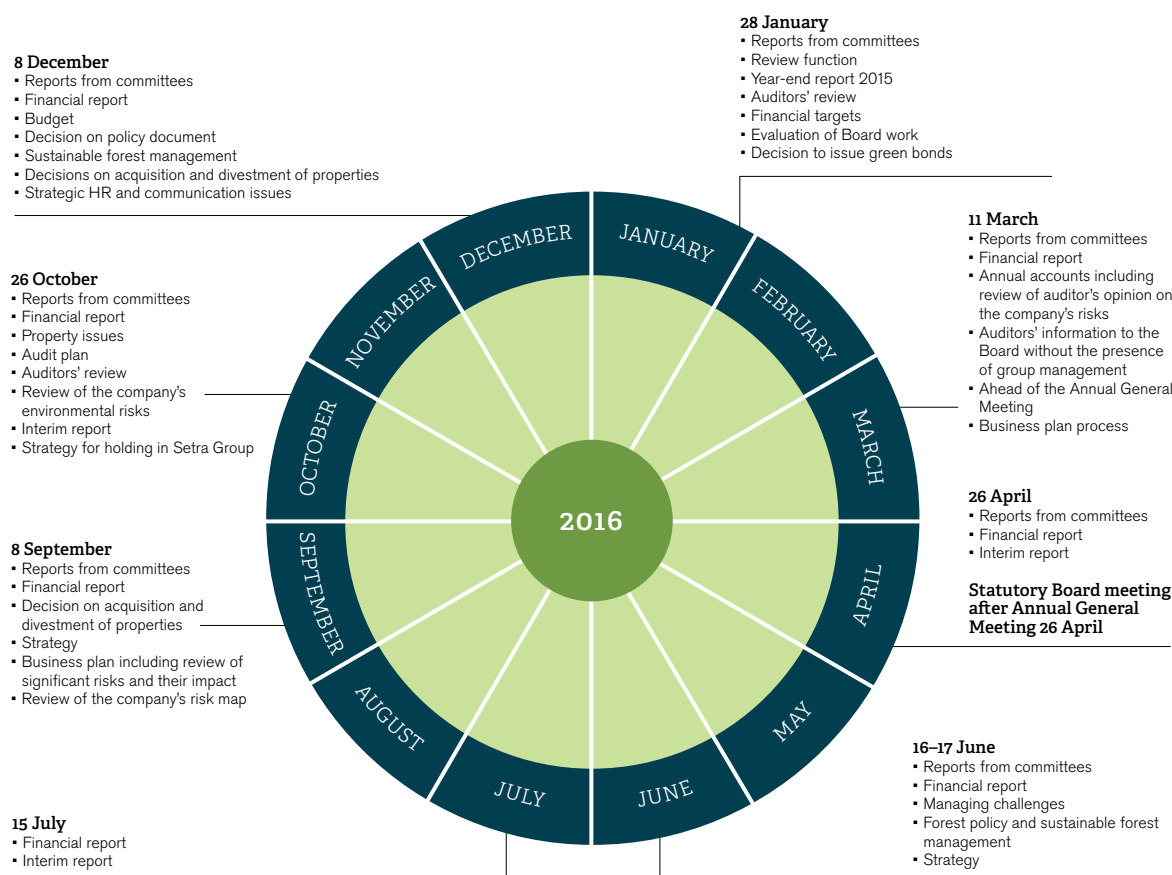
Property Committee

Prepared issues relating to property acquisition, management and divestment. The Property Committee consists of Helene Biström (chairman), Eva Färnstrand, Leif Ljungqvist and Sofia Gilliusson. The Property Committee is convened as required.

Audit Committee

Tasks include preparing the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the focus, scope and result of audits as well as to discuss coordination between external auditors and internal control activities and approach to the company's risks. The Audit Committee consists of Anna-Stina Nordmark Nilsson (chairman), Leif Ljungqvist and Sture Persson.

Board Meetings 2016



Principles for remuneration to the Board

Fees to the Board are decided by the Annual General Meeting. Fees to Board members on committees are also decided at the Annual General Meeting. In 2016, remuneration to the Board totalled SEK 1,256,722. The Board does not have a bonus or incentive programme. Employee representatives on the Board and the member employed by the Swedish Government Offices do not receive a fee.

Eva Färnstrand, Anna-Stina Nordmark Nilsson, Annika Nordin and Sven Wird invoiced fees through their own companies. An additional charge has been made for social security contributions. This arrangement is cost neutral for Sveaskog.

CORPORATE STRUCTURE

Sveaskog's operations are organised in three geographical market areas and Svenska Skogsplantor. The divisions into market areas is based on forest assets, customer structure and trade flows. The market areas have customer, production, and delivery responsibility for the wood raw material as well as responsibility for leases. The operating activities are supported by group-wide staffs.

Sveaskog also owns shares in companies where there is not a Group relationship, where the holding in the wood products company Setra Group AB is the largest.

CEO and management

Sveaskog's CEO is responsible for ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at meetings of the Board. The CEO is responsible for ongoing business activities and contacts with the Chairman and external stakeholders. The CEO also leads the work of group management. Group management consists of six men and four women. The CEO's assistant is a co-opted member of group management.

Herman Sundqvist, Linda Andersson and Karin Eriksson left their positions as SVP Forestry, SVP Communications and SVP HR respectively in 2016. Inger Thorén Emilsson has been appointed as SVP HR and Communications. The former SVP North Market Area, has been appointed as SVP Forestry. Anette Waara has been appointed as SVP North Market Area. Lena Sammeli-Johansson, formerly head of Svenska Skogsplantor, took up a newly established position as SVP Sustainability in July 2016 and Roger Johansson was appointed as the new head of Svenska Skogsplantor.

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

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. Internal control is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of year-end reports, interim reports and annual reports. Control shall also include external financial reporting and that this is prepared in accordance with legislation, applicable accounting standards and other requirements on a limited company.

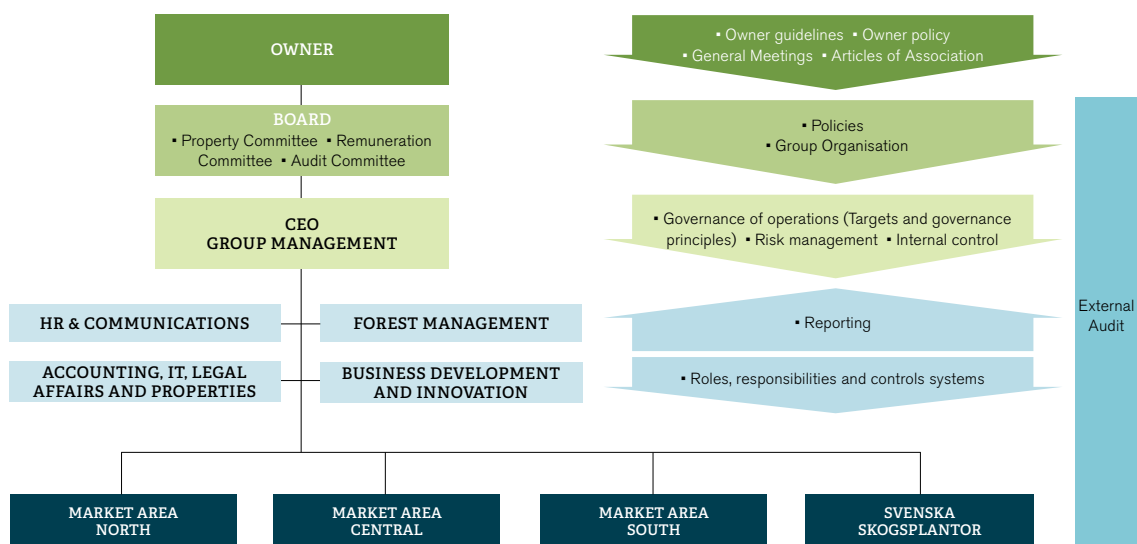
Framework for internal control

A description of how internal control is organised in relation to financial reporting is provided below.

Control environment

The Board has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed an audit committee which prepares matters related to risk assessment, internal control, financial reporting and audit. The Board's risk management has been given greater scope in recent years.

Organisation and governance



Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels in the company have corresponding responsibility within their respective areas. The most significant parts of the control environment relating to financial reporting are handled in the governing documents relating to accounting and financial reporting and in the accounting handbook which is published on Sveaskog's employee intranet.

Risk assessment and control structures

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

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

Information and communication

Sveaskog has information and communication channels designed to promote the completeness and accuracy in financial reporting. For external communication there are guidelines designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq Stockholm's listing agreement.

Monitoring

Monitoring is regulated in the Board's formal work plan and instructions to the CEO.

Swedish review function

The Board considers that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. The CFO unit is assigned by the CEO to be responsible for risk inventories and conducting the risk management processes. The CFO unit is also responsible for a number of central controls combined with local follow-up. Operational responsibility rests, however, with the market areas and other operating areas. The Board believes that there is no need for a special review function in the company. The CFO unit is headed by the Deputy CEO who is also the CFO and comprises the finance and accounting staffs, IT staffs as well as legal and property staffs.

AUDIT

The task of the auditors is on behalf of shareholders to examine the company's annual accounting and accounting records as well as the administration by the Board and the CEO. The Board communicates with the auditors through the audit committee, by auditors attending Board meeting at which issues ahead of annual accounts and annual report are examined. At least once a year the auditors meet the Board without the CEO or another person in group management being present. The auditors participated all seven meetings of the Audit Committee. Remuneration to auditors is specified in Note 6 of the Annual Report (in Swedish).

SUSTAINABLE BUSINESS

Sveaskog has an integrated sustainability perspective throughout its operations. Sveaskog's objectives for sustainable business are broken down into strategies and operational targets which are regularly monitored. This work is supported by a number of policies and

Board attendance and remuneration 2016

| | Attendance Board Meetings | Attendance Remuneration Committee | Attendance Property Committee | Attendance Audit Committee | Remuneration, SEK Board Committees | |
|--|------------------------------|---|-------------------------------------|----------------------------------|--|--------|
| Board members | | | | | | |
| Helene Biström | 9/9 | 2/2 | 2/2 | | 415,000 | 20,000 |
| Eva Färnstrand | 8/9 | 2/2 | 1/1 | | 157,500 | 30,000 |
| Thomas Hahn | 9/9 | | | | 157,500 | – |
| Leif Ljungqvist (elected 2016) | 6/6 | | 1/1 | 4/4 | – | – |
| Annika Nordin (elected 2016) | 5,5/6 | | | | 109,000 | – |
| Sven Wird (elected 2016) | 6/6 | | | | 109,000 | – |
| Anna-Stina Nordmark Nilsson | 9/9 | | | 7/7 | 157,500 | 40,000 |
| Employee representatives | | | | | | |
| Sofia Gilliusson | 9/9 | | 2/2 | | – | – |
| Sture Persson | 9/9 | | | 6/7 | – | – |
| Thomas Esbjörnsson (deputy) | 7/9 | | | | – | – |
| Lars Djerf (deputy) | 8/9 | | | | – | – |
| Board members who resigned at the 2016 Annual General Meeting | | | | | | |
| Johan Hallberg | 3/3 | | 1/1 | 3/3 | – | – |
| Birgitta Johansson-Hedberg | 3/3 | | | | 48,333 | 12,889 |



Inauguration of the 37th ecopark in the fire-ravaged area of Västmanland started with a hike. The area can become Sweden's largest contiguous deciduous forest.

guidelines which are available on Sveaskog's intranet and website.

Sveaskog appointed a SVP Sustainability during the year. Sustainability initiatives are monitored on an ongoing basis both internally and externally. The CFO and CEO have regular business follow-ups with the market areas and Svenska Skogsplanter. The Board submits the sustainability report and the Audit Committee prepares work with the report.

Cooperation with local contractors and suppliers is important for Sveaskog's development. The Code of Conduct, general sustainability requirements linked to the UN Global Compact and detailed requirements for contractors control assessments of contractors. Follow-up takes the form of self-assessments and internal audits. Non-conformances are reported in the business management system. There is also an annual follow-up of framework agreements with external suppliers.

The external review consists of auditors reviewing the Annual Report and the Sustainability Report. There is also an external audit according to ISO 14001 of the integrated business management system. There is an external audit of the FSC® certificate and regular surveys for customers, employees, contractors, suppliers and the brand.

VALUES AND CODE OF CONDUCT

Sveaskog's values must permeate the corporate culture and help all employees to adopt a common approach.

Sveaskog's values:

- Customer Focus
- Innovation
- Simplicity
- Transparency

The values cover:

- How Sveaskog conducts business
Employees must be professional and understand customer needs, take initiatives and be innovative.
- How employees should act as employees and colleagues
Employees must be led by the vision, goals and strategies and show respect for the integrity and knowledge of their colleagues.
- How managers and leaders take special responsibility
Managers and leaders must create an innovative climate and an open culture with feedback.

Sveaskog has a Code of Conduct that applies to all employees. Anyone concluding an agreement with customers, suppliers, contractors and consultants must ensure and monitor that these comply with the Code of Conduct. Sveaskog's managers shall ensure that the Code of Conduct is complied with in daily operations. The Code must always been gone through with new employees, at performance reviews, procurements, operational follow-up, etc. The Code of Conduct is included as an appendix to business and cooperation agreements.

In order to ensure compliance with the Code there is a special reporting system for non-conformances or violations. This whistle-blower function is available on the website and provides guaranteed anonymity. The function is external which means that the information is managed and investigated by an external party. One notification was received in 2016 which has been processed.

Under the leadership of lawyers and HR specialists, regular meeting are held in the different profit areas where questions about the Code of Conduct, entertainment guidelines and other ethical issues are discussed.

If you wish to read more:

State ownership policy
www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/

Sveaskog's Articles of Association
www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/

Sveaskog's Code of Conduct
www.sveaskog.se/om-sveaskog/uppforandekod/

Swedish Companies Act
www.regeringen.se

Swedish Code of Corporate Governance
www.bolagsstyrning.se/

Nasdaq Stockholm's Rules for Issuers
www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html

Board of Directors



Helene Biström

Chairman of the Board.

MSc.Eng. Born 1962. Elected 2014. Chair of the Remuneration and Property Committees.

Assignments: Chair of Cramo Oyj, Board member of The Royal Institute of Technology (KTH) and Pöyry PLC.

Previous experience: CEO of Norrenergi AB. Various senior positions at Vattenfall 1983–2010, including Deputy CEO from 2009 responsible for overall activities within nuclear power, wind power, technology and business development.

Eva Färnstrand

MSc.Eng. Born 1951. Elected 2008. Member of the Remuneration and Property Committees.

Assignments: Member of the Royal Swedish Academy of Engineering Sciences (IVA). Chair of Infranord AB and Inlandsinnovation AB. Board member of Saminvest AB.

Previous experience: Plant Manager Södra Cell Mönsterås, CEO Tidningstryckarna AB, Business Area Manager SCA. Chairman of Profilgruppen AB. Board member of Indutrade AB, Domsjö fabriker AB, Södra Cell AB, Handelsbanken Regionbank Stockholm City and Schibsted Tryck AS, among others.

Thomas Hahn

PhD Agronomics. Born 1964. Elected 2007.

Assignments: Researcher at Stockholm Resilience Centre. Member of the Royal Swedish Academy of Agriculture and Forestry. Involved in The Millennium Ecosystem Assessment and the Intergovernmental Platform for Biodiversity and Ecosystem Services (IPBES).

Previous experience: Secretary to the Committee of Inquiry on the Value of Ecosystem Services, Board member of the Nuclear Waste Fund. Chairman of Economists for the Environment.

Leif Ljungqvist

MSc.Econ. Born 1971. Elected 2016. Member of the Property and Audit Committees.

Assignments: Company Manager and Deputy Director of the Ministry of Enterprise and Innovation's corporate governance unit. Board member of Apoteket AB, Samhall AB and Statens Bostadsomvandling AB.

Previous experience: Board member of Akademiska Hus AB, AB Svensk Bilprovning, Vasallen AB and AB Bostadsgaranti. Previously equity analyst at Kaupthing Bank, Nordiska Fondkommission and Hagströmer & Qviberg.

Annika Nordin

PhD Forestry. Born 1968. Elected 2016.

Assignments: Professor of Forest Ecophysiology at the Swedish University of Agricultural Sciences. Programme leader for the Future Forests research programme. Member of the Royal Swedish Academy of Agriculture and Forestry, Kungliga Skytteanska Samfundet and board member of the Forestry Research Institute of Sweden.

Previous experience: Vice Dean of the Faculty of Forestry Science at the Swedish University of Agricultural Sciences, board member of the Berzelii Centre for Forest Biotechnology and a member of the Swedish Environmental Research Advisory Board.

Anna-Stina Nordmark Nilsson

MSc.Econ. Born 1956. Elected 2006. Chairman of the Audit Committee.

Assignments: CEO Lulebo AB. Deputy Chair of Svenska Kraftnät. Board member of Dedicare AB among others.

Previous experience: CEO Företagarna, authorised public accountant and manager PwC, Healthcare Director Stockholm County Council, County Council Director Norrbotten, CEO Piteå-Tidningen and Director of Roads. Directorships in companies, hospitals, universities, foundations and organisations.

Sven Wird

MSc.Eng. Born 1951. Elected 2016.

Assignments: Board member of Melodea Ltd, Rise Research Institutes of Sweden AB and SP Technical Research Institute of Sweden.

Previous experience: Technology Director Holmen AB. Leading positions at SCA, Norske Skog France, Modo AB and Modo Paper AB. Previously chairman of the board of SunPine AB and Board member of Innventia AB.

Sofia Gilliusson

IT Architect. MSc.Eng. Born 1973. Elected 2015. Employee representative, appointed by SI/Naturvetarna. Member of the Property Committee.

Sture Persson

Harvest operator. Born 1957. Elected 2003. Employee representative, appointed by the Swedish Forest and Wood Trade Union. Member of the Audit Committee.

Thomas Esbjörnsson

Logistician. Born 1962. Elected 2015. Employee representative, deputy, appointed by the Association of Managerial and Professional Staff.

Lars Djerf

Harvest operator. Born 1966. Elected 2010. Employee representative, deputy, appointed by the Swedish Forest and Wood Trade Union.

Group Management



Per-Olof Wedin

President and CEO.
MSc.Eng. Born 1955.
Employed 2011. Assumed current position 2011.

Previous experience: CEO of Svevia AB. Head of Stora Enso business area Uncoated Magazine Paper and Pulp as well as the Transport and Distribution Division. CEO of Grycksbo Pappersbruk. Senior management positions at SCA and Modo.

Other assignments: Board member of Setra Group AB and Mesta AS. Chairman of The European State Forest Association (Eustafor).

Per Matses

Deputy CEO, CFO.
MBA. Born 1958.
Employed 2010. Assumed current position 2010.

Previous experience: Executive Vice President, CFO and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank AB and Finance Director at Posten AB.

Other assignments: Board member of Setra Group AB and Praktikertjänst AB.

Nina Arkeberg

PA to the CEO, co-opted member of Group Management.
MSc Business Administration & Management. Born 1967. Employed 2011. Assumed current position 2011.

Previous experience: PA to CEO of Svevia AB and Grycksbo Pappersbruk.

Viveka Beckeman

SVP Legal Affairs and Property.
LLB. Born 1971.
Employed 2012. Assumed current position 2012.

Previous experience: General Counsel at Aditro Holding AB, lawyer at Advokatfirman Vinge, Clerk at the Court of Appeal and law clerk at Helsingborg District Court.

Other assignments: Deputy Chair of SunPine AB.

Roger Johansson

SVP Svenska Skogsplanter.
MSc Forestry, MBA. Born 1972.
Employed 2002. Assumed current position 2016.

Previous experience: Senior positions within sawmill industry and Sveaskog, including Deputy Head of Forestry and Head of Marketing.

Eva Karlsson Berg

SVP Central Market Area.
MSc.Eng. Born 1959.
Employed 2015. Assumed current position 2015.

Previous experience: Senior positions within Stora Enso, Chair of Svenska Pappers- och Cellulosaingenjörsföreningen (SPCI).

Other assignments: Board member of Höghskolan i Gävle.

Fredrik Klang

SVP South Market Area.
MSc Forestry and PhD from SLU. Born 1970.
Employed 2000. Assumed current position 2012

Previous experience: Regional Manager and Head of Production Sveaskog Götaland, District Manager, Head of Silviculture, AssiDomän Forestry.

Tommy Nilsson

SVP Forestry.
MSc Forestry. Born 1954.
Employed 1999. Assumed current position 2016.

Previous experience: Forest Manager at Domänverket (The Swedish Forest Service), Managing Director for sawmills, responsible for customer relations at AssiDomän, Market Area Manager Sveaskog North.

Other assignments: Board member of Shorelink AB and Efficient Forest Fuel Supply Systems.

Inger Thorén Emilsson

SVP Human Resources and Communications.
BA HR and Psychology. Born 1965.
Employed 2016. Assumed current position 2016.

Previous experience: Leading positions at Telia, Stora Enso and Akademiska sjukhuset i Uppsala, among others.

Anette Waara

SVP North Market Area.
MSc Forestry. Born 1969.
Employed 2002. Assumed current position 2016.

Previous experience: Head of Production Västerbotten market area, head of Västerbotten profit area.

Jan Wintzell

SVP Business Development & Innovation.
MSc Forestry. Born 1961.
Employed 2013. Assumed current position 2013.

Previous experience: Leading positions within Pöry Management Consulting.

Lena Sammeli-Johansson

Took up the position of SVP Sustainability in 2016. Until then she was SVP Svenska Skogsplanter and a member of Group Management.

Notes to the Sustainability Report

Note S1 | About the Sustainability Report

Sveaskog describes its sustainability work and reports its performance against objectives for sustainable business in a sustainability report which is published in March each year and relates to the period 1 January–31 December. From 2014 the report is prepared in accordance with the Global Reporting Initiative's guidelines (GRI G4) and externally assured. The report thereby adheres to the owner's guidelines for external reporting. The Global Reporting Initiative (GRI) is a network-based organisation working in cooperation with the UN Environment Programme. The organisation has drawn up global guidelines for how companies report information related to sustainable development. Detailed information about GRI and its regulatory framework is available at www.globalreporting.org.

Sveaskog complies with GRI's guidelines and reports the results achieved for the reporting period against the background of the undertakings, strategies and sustainability governance. The intention is to present, measure and accept responsibility towards stakeholders, both within and outside the company, for what has been achieved in work towards sustainable business. The 2016 sustainability report, which comprises pages 10–15, 20–21, 81–86 of Sveaskog's Annual Report with Sustainability Report 2016 (in Swedish) and the GRI Index on www.sveaskog.se, meets the requirements for criteria according to Core GRI G4 and is reviewed by the audit firm Deloitte AB. GRI guidelines are implemented in internal work with sustainability issues and the information in the indicators meets GRI's criteria in the indicator protocol. The Board's signature of the 2016 Sustainability Report and the Auditors' limited assurance report will be found on page 78 in Sveaskog's Annual Report with Sustainability Report 2016 (in Swedish) and on page 87 respectively.

Scope of the report

Sveaskog's ambition is to provide a comprehensive report of sustainability initiatives, where both negative and positive development is clearly stated. Sustainability work is based on the code of conduct and the policies and guidelines which govern operations. The undertakings resulting from certification and various memberships, including FSC® and Global Compact, are of major significance for sustainability work.

To support the issues that have the most effect on

Sveaskog as a company and which are most significant for Sveaskog's external and internal stakeholders to take into account, the work is based on a materiality assessment carried out and decided upon by the Sustainability Council. First, all aspects of GRI's requirements were analysed on the basis of how important they are for the work with sustainable development which Sveaskog has identified as significant and where each aspect's effect is greatest, within or outside the company. Based on the identified aspects the various indicators were analysed and a decision taken in the Sustainability Council as to which should be reported.

The report includes a total of 20 of GRI's indicators which are listed with page references in the GRI index published on www.sveaskog.se. All GRI's profile disclosures are reported.

Boundaries

The information applies to the whole of the Sveaskog Group, unless stated otherwise. The Group includes the wholly owned subsidiary Sveaskog Baltfor SIA. The sawmill group Setra Group AB, which is owned to 50% by Sveaskog AB, is not included in the sustainability report except for that part of the financial result for Setra Group AB which affects Sveaskog Förvaltnings AB's earnings. Sveaskog has two members on Setra Group AB's board and is thus able to influence Setra's sustainability work.

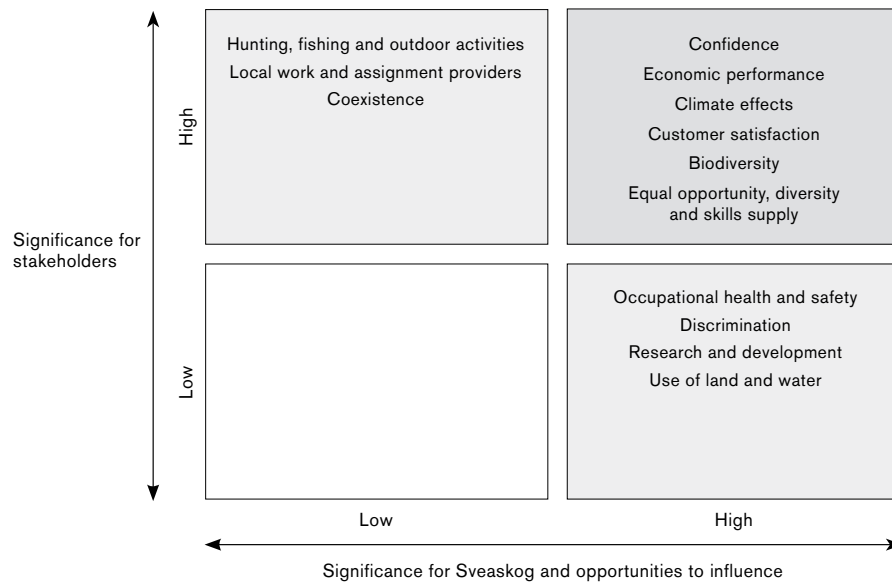
Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005 and thereby takes a clear stance on issues related to human rights, social conditions, environmental responsibility, freedom of association and anticorruption. The Global Compact is derived from the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development which means that Sveaskog commits to working proactively to minimise environmental risks throughout the company, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for how multinational enterprises should conduct responsible business. More information about the Global Compact is available at www.globalcompact.org. Sveaskog works to substantiate how these principles are reflected in the business. Each year a "Communication on Progress" (CoP) report is submitted to the Global Compact presenting the GRI indicators associated with the principles.

Note S2 | Materiality assessment

Every year, the company performs an analysis of the entire value chain in order to identify and work with the most relevant environmental, social and economic issues. This provides the company with an understanding of how it affects others. The

materiality assessment is an aggregate of the issues that Sveaskog regards as strategically important and the issues that stakeholders regard as most important. The order of the aspects within each of the four fields has no significance.



Note S3 | GRI aspects and indicators as well as where influence occurs

For the most significant areas within sustainability the GRI aspects and indicators as well as where influence mainly occurs are specified below. The entire GRI index with explanations is available at www.sveaskog.se.

| | Identified GRI aspects | Influence mainly occurs | GRI indicators |
|--|---|--------------------------------|-----------------------------|
| Confidence | Supplier assessments relating to environment, labour practices, human rights and impact on society | Outside the company | EN32, LA14, SO9 |
| Economic performance | Economic performance | Within and outside the company | EC1 |
| Climate effects | Energy, Emissions, Economic Performance | Outside the company | EN3-4, EN15-17, EC2 |
| Customer satisfaction | Labelling of products and services | Within the company | PR5 |
| Biodiversity | Biodiversity | Within and outside the company | EN12-13 |
| Equal opportunity, diversity and skills supply | Employment, Occupational health and safety, Training and education, Diversity and equal opportunity | Within the company | LA1, LA6, LA9, LA11-13, HR3 |

Note S4 | Stakeholder dialogues

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

| | Issues 2016 | What is Sveaskog doing? | Dialogue opportunities |
|---|--|---|---|
| Customers | Product quality, efficient logistics, renewable vehicle fuels, technical development, FSC® and traceability, reliability, long-term relationships | FSC® certification, measures delivery precision, participates in development of new fossil-free fuels, timber traceability, market prices, Code of Conduct | Survey Customer Satisfaction Index, business development discussions |
| Owner | Market return, profitability and sustainable business | Financial targets and targets for sustainable business, corporate governance report, sustainability report | General meetings, Board meetings, dialogue with the Chairman of the Board |
| Lending institutes, credit providers | Financial targets, stable financial flows, sustainable business, new business opportunities | Reports financial targets, financial policy, prioritises long-term business relationships and customers with profitability potential, issues green bonds | Company presentations, business discussions |
| Employees | Skills development and supply, confidence, equal opportunity, occupational health and safety, organisation | Internal training programmes, supports job rotation, active recruitment, work environment efforts and develops the organisation, and project ambassadorship | Performance reviews and employee days, employee surveys, leader days, leader programme, trade union cooperation, workshop on ambassadors for Sveaskog, workplace meetings |
| Contractors | Developed and long-term cooperation, renewable energy, sustainable forest management, contract/ remuneration issues, training and working environment, attractiveness of forest industry, traceability and certification | Long-term cooperation, partner contractors, cooperation projects, information and evaluations | Contractor Satisfaction Index, business development discussions, evaluations |
| Timber suppliers | Ability to pay, market prices, renewable energy, quality of felling assignments, skills supply, sustainable forest management, information about services, technical development | Good liquidity, market prices, FSC® planning for felling assignments, participates in development of new fossil-free fuels, information activities | Supplier Satisfaction Index, FSC® cooperation, forest days |
| Tourism companies, hunters, anglers, etc. | Grants land concessions, lease prices, forest and land for outdoor activities as well as grazing damage | Leases, investments in recreation areas and ecoparks, roads and signs, maps and information on the website | Elk management meetings, hunt leader meetings, consultations, business discussions |
| Reindeer herders | Considerate silvicultural measures and concessions that do not affect reindeers' winter grazing – co-existence | Formalised consultations, better maps, projects to develop land usage | Consultations about silvicultural measures, cooperation within Swedish FSC® |
| Authorities | Swedish Forestry Act, national environmental objectives | Annual audits, business management system, follow-up of targets and key indicators | Consultations regarding ecoparks and inaugurations, general meetings, |
| Nature conservation organisations | Biodiversity, nature conservation | Targets for sustainable business, environmental objectives and targets, FSC® membership, nature conservation strategy | Excursions, cooperation |

Note S5 | Environment and nature conservation

Nature conservation can take the form of formally protected areas or voluntary set-asides. Sveaskog has chosen to manage 20% of its productive forest land as nature conservation areas. The 20% objective applies to forest follow the montane forest region. In montane forests, Sveaskog has set aside more than half the forest, or an additional approximately 100,000 for nature conservation. This is achieved in three

ways: ecoparks, nature conservation forests and so-called consideration for nature which is left untouched in the production forests.

The ecoparks comprise a total of 145,000 hectares below the montane forest region. An additional 30,000 hectares of ecoparks are located in the montane forest region.

Nature conservation areas below the montane forest region:

| Definition | Status 31 Dec 2016 | Size | 3rd party measurement | Cooperation |
|---|--|------------|--|---|
| 37 ecoparks | 37 ecoparks inaugurated. Ecopark agreements with the Swedish Forest Agency are in place for 34 of these ecoparks | 80,000 ha | Swedish Forest Agency, County Administrative Board | 50-year agreements with the Swedish Forest Agency and WWF |
| Nature conservation forests | Reported at www.sveaskog.se | 300,000 ha | Swedish Forest Agency, County Administrative Board | WWF, Swedish Forest Agency, County Administrative Boards and the Swedish Society for Nature Conservation (deciduous forest restoration) |
| Nature consideration when felling | Control self-assessments | 220,000 ha | Swedish Forest Agency's follow-up, FSC® audit | Method development with the Swedish Forest Agency |
| Sveaskog's total nature conservation area below the montane forest region | | 600,000 ha | | |

Nature conservation in the montane forest region:

| Definition | Status 31 Dec 2016 | Size | 3rd party measurement | Cooperation |
|---|---|------------|---|---|
| Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC® | Nature reserves and ecoparks formed and quality assurance of nature conservation forests underway | 100,000 ha | Swedish Forest Agency, County Administrative Boards, FSC® audit | Dialogue with the Swedish Forest Agency |
| Sveaskog's total nature conservation area including montane forest region | | 700,000 ha | | |

Restoration:

| Definition | Status 31 Dec 2016 | Size | 3rd party measurement | Cooperation |
|--|---|------|-----------------------|---|
| Restoration of wetlands and aquatic landscapes | The objective of 100 restored wetlands achieved. Five aquatic landscapes identified | – | – | Swedish Wetlands Foundation, Swedish Ornithological Society |

Note S6 | Environmental data

| | 2012 | 2013 | 2014 | 2015 | 2016 | | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------|--------|--------|--------|--------|---|-------|-------|-------|-------|-------|
| Production | | | | | | Emissions to air * | | | | | |
| All deliveries, thousand m ³ sub | 10,721 | 10,807 | 10,838 | 10,748 | 10,684 | Fossil CO ₂ , ktonnes | 134 | 138 | 153** | 146 | 126 |
| Deliveries from own forests, thousand m ³ sub | 5,962 | 6,255 | 6,561 | 6,570 | 6,459 | Of which direct emissions, ktonnes | 14 | 13 | 16 | 14 | 13 |
| Biofuel deliveries, thousand m ³ sub | 1,479 | 1,359 | 999 | 868 | 780 | Of which indirect emissions, Scope 2, ktonnes | 0.056 | 0.051 | 0.052 | 0.052 | 0.049 |
| Energy consumption | | | | | | Of which indirect emissions, Scope 3, ktonnes *** | 120 | 125 | 137 | 132 | 113 |
| Non-renewable fuels, TJ | 1,781 | 1,806 | 1,752 | 1,519 | 1,374 | Land | | | | | |
| Renewable fuels, TJ | – | 109.1 | 80.5 | 233 | 243 | Total land area, million ha | 4.1 | 4.0 | 4.0 | 4.0 | 4.0 |
| Indirect energy consumption, MWh | 9,509 | 9,254 | 9,222 | 9,136 | 8,528 | Of which productive forest land, million ha | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| | | | | | | Proportion of total unfelled growth, % **** | 39 | 40 | 35 | 36 | 36 |

* Sveaskog reports the greenhouse gas carbon dioxide and complies with the guidelines of the Greenhouse Gas Protocol.

** Starting with 2014 reporting both production and distribution of fuel are included in the emissions calculation which means that carbon dioxide emissions have increased.

*** Scope 3 includes felling, transport by road, sea and rail, road building, silviculture and business travel.

**** Included uncultivated forests.

Employee data

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

Note S7 | Number of employees

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|
| Permanent employees | 702 | 693 | 678 | 688 | 674 |
| Average number of employees incl. temporary employees* | 949 | 899 | 877 | 851 | 844 |
| Number of wage-earners | 288 | 293 | 287 | 282 | 240 |
| Number of salaried employees | 414 | 400 | 391 | 406 | 434 |
| Proportion of part-time/permanent employees, % | 1.3 | 2.2 | 1.6 | 1.3 | 1.5 |
| Proportion of full-time/permanent employees, % | 98.7 | 97.8 | 98.4 | 98.7 | 98.5 |
| Number of HR managers | 93 | 95 | 91 | 96 | 95 |
| Average age, years | 48 | 48 | 48 | 48 | 47 |
| Employees within different age groups | | | | | |
| -29 | 97 | 94 | 89 | 92 | 95 |
| 30-49 | 403 | 384 | 369 | 336 | 344 |
| 50- | 449 | 421 | 419 | 423 | 407 |
| Proportion recruited internally, % | 79 | 60 | 61 | 64 | 70 |
| Proportion of employees with non-Swedish background, % | | | | | 3.3 |

* Total number of hours worked/1,650.

Note S8 | Number of permanent employees by market area

| Market area/region | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|------|------|------|------|------|
| North* | 239 | 214 | 207 | 215 | 180 |
| Central* | 233 | 257 | 249 | 247 | 250 |
| South* | 139 | 131 | 135 | 141 | 158 |
| Stockholm** | 55 | 54 | 52 | 55 | 56 |
| Latvia/Lithuania | 33 | 34 | 34 | 29 | 29 |
| Finland | 3 | 3 | 1 | 1 | 1 |

* Including employees in staffs stationed within the market area.

** Stationed at the head office in Stockholm.

Note S9 | Breakdown of employees

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|-------|-------|-------|-------|-------|
| Women, %* | 19.9 | 19.7 | 19.8 | 21.0 | 21.6 |
| Men, %* | 80.1 | 80.3 | 80.2 | 79.0 | 78.4 |
| Women/men on the Board, %** | 50/50 | 43/57 | 50/50 | 67/33 | 57/43 |
| Women/men in Group Management, % | 30/70 | 36/64 | 36/64 | 45/55 | 40/60 |
| Women managers, % | 27 | 26 | 22 | 24 | 24 |

* Average number of employees.

** Elected by Annual General Meeting.

Year of birth of Board members and members of Group Management specified in the presentations on pages 44-47.

Note S10 | Relation between men's and women's salaries

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------|---------|---------|---------|---------|
| <i>Wage earners</i> | | | | | |
| Women/men | 16/252 | 21/250 | 18/248 | 23/241 | 19/203 |
| Women's median salary in relation to men's, % | 91 | 86 | 85 | 87 | 85 |
| <i>Salaried employees</i> | | | | | |
| Women/men | 113/285 | 108/277 | 103/274 | 115/279 | 128/294 |
| Women's median salary in relation to men's, % | 99 | 99 | 99 | 97 | 97 |

The comparison does not take into account that different requirements are made for different positions but only provides an overview of salary structure per agreement area. Salary information and number of employees refer to permanent employees in Sweden (excluding foreign subsidiaries).

Note S11 | Employee turnover

| | | 2012 | | 2013 | 2014 | 2015 | 2016 |
|-----------|------|--------------|------|----------------|-----------|------|------|
| Total, % | | 5.9 | | 6.2 | 4.6 | 5.5 | 7.0 |
| Women/men | | By age group | | By market area | | | |
| Joined | Left | Joined | Left | | Joined | Left | |
| 23/37 | 7/40 | –30: 21 | 2 | | North | 16 | 15 |
| | | 30–50: 28 | 15 | | Central | 26 | 15 |
| | | 50–: 11 | 30 | | South | 14 | 14 |
| | | | | | Stockholm | 4 | 3 |
| | | | | | Latvia | 0 | 0 |

Note S12 | Proportion of employees receiving regular evaluations and monitoring of their performance and career development

A good basis for participation is well-executed performance reviews. These reviews also allow the manager to identify the employees' needs for skills development in their position as well as any preferences for further development.

Sveaskog's objective is that all permanent employees shall have at least one performance review during a 12-month period and that the discussion should be of a high quality. In order to provide conditions for good quality,

all managers are offered training in performance reviews. Support documents and checklists are available to help with implementation of these reviews.

According to the most recent employee survey, VIS 2015, a total of 96% of all permanent employees had a performance review during the past 12-month period.

Note S13 | Sickness absence

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|-------|------|
| Sickness absence total, % | 2.1 | 2.6 | 2.7 | 2.5 | 2.7 |
| Sickness absence women, % | 3.4 | 3.1 | 3.4 | 3.4 | 3.2 |
| Sickness absence men, % | 1.8 | 2.5 | 2.6 | 2.2 | 2.6 |
| Long-term sickness absence % of total sickness absence | 36.1 | 49.7 | 45.4 | 34.5 | 45.6 |
| Long-term health, %* | 43.3 | 44.4 | 41.3 | 36.1 | 35.2 |
| Notified work-related injuries** /1,000 average employees | 9.5 | 4.4 | 6.8 | 3.5 | 5.9 |
| Notified work-related injuries, according to GRI*** | 11.5 | 5.4 | 8.3 | 4.3 | 7.0 |
| Total absentee days (working days) due to work-related injuries**** | 261 | 33 | 128 | 14 | 41 |
| Sickness absence due to work-related injuries, % | 0.13 | 0.02 | 0.10 | 0.008 | 0.02 |

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

** Work-related injuries: accidents, travel accidents, work-related illnesses which on reporting date are expected to lead to absence. Also includes minor injuries at a first-aid level. Contractor's accidents are not included. Work-related injuries are reported in SKIA, the forest industry's information system for working environment operated by AFA Insurance on behalf of the industry. Injuries are not reported by region, but follow-up takes place in the local safety committees within each market area. There were no fatal accidents during the year.

*** Total number of injuries divided by hours worked x 200,000.

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

Note S14 | Average number of training hours by employee and year breakdown by employee category*

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|
| Number of training hours, wage earners, average | 37 | 46 | 37 | 52 | 48 |
| Number of training hours, salaried employees, average | 41 | 45 | 33 | 35 | 31 |
| Key number of training hours/employee, days | 4.9 | 6 | 4.4 | 5.4 | 4.9 |
| Key number of training hours/employee, hours | 39 | 46 | 35 | 43 | 39 |

* Average number of employees.

Note S15 | Proportion of workforce covered by a collective agreement

In Sweden, 100% of employees are covered by a collective agreement. Those not covered by a collective agreement are employed in the subsidiary SIA Sveaskog Baltfor registered office in Riga, Latvia. The proportion of employees covered by collective agreements is therefore 96%.

GRI index

The below index provides an account of Sveaskog's reporting according to Global Reporting Initiative's guidelines GRI level Core and where the information can be found.

All page references below refer to Sveaskog's Annual Report/Sustainability Report 2016, in Swedish

W = www.sveaskog.se

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| G4-16 Membership of associations (such as industry associations) and national or international advocacy organisations | 5, 9, 11, 17, 20, 30, 33, 42–43 | Sveaskog is a member of several industry organisations: The Forestry Research Institute of Sweden, IVA, Svebio, Forest Stewardship Council, UN Global Compact, Eustaför, SLA, Forest Based Sector Technology Platform, PEFC |
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| OCCUPATIONAL HEALTH AND SAFETY | | | | |
| G4 LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender | - " - | 86 | Sveaskog deviates and does not report work-related injuries by region and gender ¹⁾ |
| TRAINING AND EDUCATION | | | | |
| G4 LA9 | Average hours of training per year per employee by gender, and by employee category | - " - | 86 | Sveaskog deviates and does not report training days by gender ²⁾ |
| G4 LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and employee category | - " - | 18–19, 85 | Sveaskog deviates and does not report performance reviews by gender and employee category ³⁾ |
| DIVERSITY AND EQUITY OPPORTUNITY | | | | |
| G4 LA12 | Composition of governance bodies and breakdown of employees per employee category, according to gender, age group, minority group membership, and other indicators of diversity | - " - | 44–47, 85 | Sveaskog does not register employee minority group membership or ethnicity. |
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¹⁾ Since this applies in so few cases which means that anonymity cannot be guaranteed.

²⁾ Sveaskog will examine the feasibility of also breaking down this information by gender in future.

³⁾ Sveaskog will examine the feasibility of also breaking down this information by general and employee category in future.

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