

2.2017 A MAGAZINE FROM **SCA** ON TRENDS, MARKETS AND BUSINESS

SHAPE

Essity

**born out of necessities
and essentials**

*Focus on Hygiene health
and well-being*

SCA

Home sweet home

*Forest Products moves
back to Sundsvall*

INTERVIEW

HE KNOWS

HOW TO BUILD A BRAND

SEPARATE WAYS

All about the SCA split

 **essity**

 **SCA**

SHAPE

Shape is a magazine from SCA primarily geared toward customers, shareholders and analysts, but also for journalists, opinion leaders and others interested in SCA's business and development.

Publisher
Joséphine Edwall-
Björklund

Managing Editor
Gabriella Ekelund

Editorial
Anna Gullers,
Helena Åkesson,
Appelberg

Design
Kristin Päeva,
Cecilia Farkas,
Appelberg

Printer
Stibo
Address
SCA, Group
Communications,
Box 200,
101 23 Stockholm,
Sweden.
Telephone
+46 8 7885100
Fax +46 8 6788130



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Address changes: www.sca.com/subscribe or [magdalena.bjorkeryd@sca.com](mailto:magdalenabjorkeryd@sca.com)



Splitting the apple in two can unlock dormant value in the business units. **Page 32**

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"The merger with BSN Medical is all about growth and sales synergies."

Margaretha Lehmann
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A young child with dark skin and curly hair, wearing a white diaper, is standing on a wooden floor. The child is holding a large roll of white toilet paper that has been unrolled and draped around them. The child is looking to the right with a slight smile. The background is a bright, out-of-focus indoor space.

“We offer necessities for all people, solutions to people’s basic needs in all stages of life.”

Joséphine Edwall-Björklund



“A necessity for more and more people”

This edition of *Shape* is focused on the split of SCA into two separately listed products company SCA and the hygiene and health company Essity.

The words from which the name Essity come, essentials and necessities, describe what this new hygiene and health company is about. We offer necessities for all people, solutions to people’s basic needs in all stages of life. We do not invent things that customers and consumers do not need and whose benefits are questionable anyway.

When we develop new products, expand to new markets or acquire other companies, it’s about making improvements in everyday life – whether it’s baby diapers, toilet paper, incontinence products, wound care, feminine care or any of our other products.

It also means that we have a strong belief in the future: we offer something that is important and fundamental to more and more people, in line with an aging population and better economic conditions. Essity is becoming essential and necessary for more and more of us.

JOSÉPHINE EDWALL-BJÖRKLUND
Senior Vice President,
Group Communications
SCA, to be Essity

PHOTO: KRISTOFER LÖNNÄ

DO YOU KNOW...

...which European country is considering menstrual leave for working women? Find out on page 20.

SCA HISTORY 1929–2017

1929

- SCA is founded through the merger of some 10 Swedish forest companies.

1930-1949

- Production is focused on pulp.
- Construction of Östrand pulp mill.

1949

- Relocation of headquarters from Stockholm to Sundsvall.

1950

- SCA is listed on the Stockholm Stock Exchange.

1950–1959

- SCA starts newsprint production and builds a paper machine at Ortviken (1958).
- Production is confined to Sweden, but exports increase.

1960–1974

- Kraftliner production starts.

1975

- SCA lays the foundation for its hygiene business through the acquisition of the Swedish company Mölnlycke.

1975–1999

- Expansion of publication paper operations.
- Acquisition of the Italian packaging company Italcarta.
- Establishment of operations in Latin America.

1990

- Acquisition of the British company Reedpack makes SCA the European leader in transport packaging.

1993

- Relocation of headquarters from Sundsvall to Stockholm.

1995

- SCA becomes Europe's leading hygiene products company following acquisition of the German company PWA.

2001

- Acquisition of Georgia-Pacific Tissue and Tuscarora gives SCA a strong position in North America in away-from-home tissue and protective packaging, respectively.

2007

- SCA sells its North American packaging operations and acquires Procter & Gamble's European tissue business.
- Start of SCA's extensive wind power investments in cooperation with Norwegian Statkraft.

2009

- SCA acquires Algodonera Aconcagua, one of the largest players in feminine care in Argentina, through its Colombian joint venture company Familia.

2010

- SCA acquires Copamex baby diaper business in Mexico and Central America.

2011

- SCA acquires the Brazilian hygiene products company Pro Descart and 95 percent of the Turkish incontinence care company San Saglik.
- SCA and Pacific Equity Partners form a joint venture, and SCA acquires 50 percent of the Turkish hygiene products company Komili.

2012

- SCA divests its packaging operation to DS Smith (UK).
- Acquires Georgia-Pacific's European tissue operations, the Asian hygiene company Everbeauty, and the remaining 50 percent of

the Chilean hygiene company PISA (Papeles Industriales S.A.).

2013

- SCA becomes a majority shareholder in the Chinese tissue company Vinda.
- Establishes operations in India.
- Divests its Austrian publication paper mill in Laakirchen.

2014

- Cooperation with the Chinese hygiene company Vinda is strengthened.
- Joint venture company Asaleo Care is listed.
- SCA enters with an all-female crew, Team SCA, the 2014–15 Volvo Ocean Race.

2015

- Initiate to divide the Group into two divisions: a Hygiene division and a Forest Products division
- Invests in a new production facility in Brazil.
- Increased pulp production capacity in Sweden.
- Divests operations in Southeast Asia, Taiwan and South Korea for integration with Vinda.
- Closes down a tissue production plant in France and a newsprint machine in Sweden.

2016

- SCA acquires Wausau Paper Corp., a leading North American tissue producer.
- Invests in paper production in Mexico and diaper production in Europe.

2017

- SCA acquires BSN medical, a medical solutions company.
- The shareholders of SCA decide to split the Group into two companies: the forest products company SCA and the hygiene and health company Essity.



Two is better than one

SCA splitting into two separate listed companies – Essity and SCA

ON APRIL 5, 2017, the Annual General Meeting decided on a distribution of all shares in the wholly owned subsidiary SCA Hygiene AB, to be Essity, to shareholders of SCA. The company plans to execute the split in June 2017. The result will be two separate listed companies: one hygiene and health company, to be Essity, and one forest products company, SCA.

In August of 2016 SCA announced that the company would initiate work in order to be able to propose to the 2017 Annual General Meeting a split of the SCA Group into two separate listed companies: the forest products company SCA and the hygiene and health company, to be Essity. Now, one year later, we are here. Soon the SCA Group will be divided into two independent, listed companies. One will be Essity AB, a leading global hygiene and health company with headquarters in Stockholm. The other, an efficient and well-invested forest products company, keeping the name SCA, with headquarters in Sundsvall.

SCA WAS FOUNDED in 1929 as a forest products company operating in Sweden. Over the years, the company expanded into other business

activities (paper products production, personal care, consumer tissue, AfH tissue and packaging) and expanded geographically. SCA developed into a leading global hygiene and forest products company. In 2016 the hygiene business accounted for approximately 86% of the SCA Group's net sales and the forest products business for approximately 14%. Over time, the synergies between the operations have diminished.

"I am pleased that the shareholders support the Board's proposal regarding two separate listed companies. This will increase value for shareholders in the long term through increased focus, customer value and development opportunities and enables each company to successfully realize

its strategies. We look forward to an exciting future for the two strong listed companies," says Magnus Groth, currently president and CEO of SCA and future president and CEO of the new hygiene and health company Essity.

This edition of *Shape* is focused on the SCA split into two companies. ■



Magnus Groth



The split of the group is expected to increase focus, customer value and development opportunities and enable each company to successfully realize its strategies, says Magnus Groth.



“SCA split opens new doors”

“The SCA split means an increased focus and the chance to diversify the hygiene and health business into new product groups. The acquisition of BSN medical is a great proof-point to this,” says CEO **Magnus Groth**. *text GÖRAN LIND photo SCA*

LAST FALL A NEW vision was set: “Dedicated to improving well-being through leading hygiene and health solutions.”

“With this vision, we looked more broadly at product groups into which we could potentially expand. Subsequently we had an opportunity to acquire BSN medical. I’m not sure we would’ve considered the acquisition of BSN medical had we not been working on the split and the dedicated strategies for hygiene and forest products,” says Magnus Groth, who will be the CEO of the new hygiene and health company Essity.

“The new name Essity is a combination of the English words essentials and necessities and reflects what we and our products and solutions stand for,” Groth says.

Essity not only creates value for its shareholders, he explains.

“It is also well placed to help deliver on the UN Global Goals as hygiene, health and sanitation are at the core of the goals,” he says.

Every day, products from Essity are used by millions of people globally, so there’s an opportunity to meet social and environmental needs and improve well-being for millions of people. Essity is also working in many ways to reduce its climate impact.



“The Tork XPressnap dispenser, for example, is designed so consumers can only take one napkin at a time and we guarantee a 25% reduction in napkin consumption,” Groth explains. “Our commitment to improve well-being through leading hygiene and health solutions means providing not only products and solutions but also hygiene educational programs,” Groth says. “In 2016

“The new name Essity is a combination of the English words essentials and necessities.”

Magnus Groth

our hygiene educational programs reached more than 2,000,000 people worldwide. Our Hygiene Matters initiative is our key communication platform with the goal of raising awareness of the connection between hygiene, health and well-being.”

THE COMPANY VISION can cover many things and the question is where the boundaries lie. Groth



→ explains that BSN medical has similar user groups to those of Essity's incontinence products. Both sell consumables, and the products are sold through the same channels. "It's all about health products in related areas - we're not going into pharmaceuticals or remote medical areas."

Essity will continue to invest in its core businesses, Personal Care, Consumer Tissue and Professional Hygiene products and solutions. Last year, SCA acquired Wausau Paper Corp., a leading North American away-from-home tissue producer.

"We went from third- to second-largest player in the North American away-from-home tissue market, strengthening further our leading global position," explains Groth.

WHEN ASKED ABOUT the ambition to market the new company Essity, Groth explains: "We will not be investing major resources in marketing the new name for the hygiene and health company toward consumers - we will focus on current and future employees, investors, customers and important influencers in public affairs and specific media. But of course we will continue to highlight the new name and company and what it stands for when we run our Hygiene Matters initiative internally and externally. We want to maintain the link between the product brands and the new company name."

"Being a separate listed company means a stronger focus in each company, which naturally is positive. Capital allocation will be more effective - we will focus our investments on the segments in which we



"In 2016 our hygiene educational programs reached more than 2,000,000 people worldwide."

can achieve the most," says Magnus Groth.

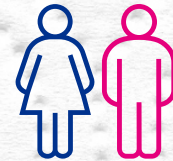
Specialization increases transparency, enabling the stock market to more easily compare both companies with other similar consumer products and forest products businesses. Comparable figures increase the pressure to perform, which Groth sees as positive. "It will be easier for us to decide how to allocate our resources and investments. It will also strengthen cost focus in everything we do. As Essity, our focus is to deliver on our strategy, including improving people's hygiene, health and well-being," Groth says. ■

The articles contained in this issue were produced and printed before the split of SCA. Therefore, some of the information in the articles may have changed.

ESSITY

Essity's vision is "Dedicated to improving well-being through leading hygiene and health solutions."

Essity is a leading global hygiene and health company that develops, produces and sells Personal Care (Baby Care, Feminine Care, Incontinence Products and Medical Solutions), Consumer Tissue and Professional Hygiene products and solutions. Sales are conducted under many strong brands, including the leading global brands TENA and Tork, and other brands, such as Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. The business operations are based on a sustainable business model with focus on value creation for people and nature.



48,000

Employees

Headquarters in Stockholm. Sales are conducted in about 150 countries.



HYGIENE EDUCATION

2,000,000 women, men, children and caregivers received hygiene education in 2016.

NET SALES 2016 (SEKm)

101,238



HYGIENE MATTERS

is an initiative that aims to drive and support a global dialogue around hygiene, health and well-being to improve hygiene standards worldwide. It focuses on breaking taboos around menstruation and incontinence, highlighting the economic impact of hygiene and encouraging innovation in the hygiene sector in order to support sustainable progress.

DID YOU KNOW THAT....

... Essity partners with the United Nations Foundation in support of the Sustainable Development Goals to improve hygiene, health and well-being worldwide?



...Essity partners with Fotografiska (Swedish Museum of Photography) to highlight how hygiene and health affect people's well-being.




Fotografiska

First aid *for growth*

SCA's recently acquired medical solutions group BSN medical joins the Incontinence Care business in a new unit to form a powerful new platform for growth.

text JAN LINDROTH photo GETTY IMAGES



“The medical solutions industry is a very fragmented market, so there is still room for growth.”



In acute wound care, BSN medical is the European leader and the world's No. 2.

BSN MEDICAL is a leading supplier of medical solutions with brands such as Leukoplast, Cutimed, JOBST, Delta and Actimove. It has sales in more than 140 countries, with production in eleven countries, and it has one of the industry's most-developed marketing and supply chains.

"Strategically, BSN medical is a great fit," says Margareta Lehmann, head of SCA's Health and Medical Solutions business unit. "It brings different products to SCA, but in many ways it has the same type of sales channels and customers as the incontinence business. This merger is all about growth and sales synergies. BSN medical brings not only strong products but also a very professional sales force and a strong presence in some complementary sales channels."

The merger between BSN medical and SCA's Incontinence care business is based on healthy growth prospects and good synergies.

BSN medical has healthy market positions, especially in Europe, where it does just over half of its sales, followed by North America with almost a quarter of total sales. BSN medical is organized in three areas: wound care, compression therapy and orthopedics. In acute wound care, BSN medical is the leader in Europe and the global No. 2, while BSN medical is the global leader in fracture management and physiotherapy within orthopedics.

"The medical solutions industry is a very fragmented market, so there is still room for growth," Lehmann says. SCA intends to invest in R&D to continue to develop BSN medical's products as well as the sales organization. The company's total available market is close to 12 billion euros globally, with wound care the biggest. It is expected to grow by around 4 percent a year over the next few years.

"We certainly want to maintain a high pace of innovation," Lehmann says.

BSN medical was acquired from private equity firm EQT for EUR 2.75 billion. It was formed in 2001 as a joint venture between German skin



Margareta Lehmann

care group Beiersdorf and UK medical equipment company Smith & Nephew. BSN medical has around 6,000 employees and had total sales in 2016 of EUR 850 million.

The merger gives rise to synergies of EUR 30 million per year, but the absolute biggest part of this comes from cross-selling. Lower costs will mainly come through some overlapping management and administrative functions.

"This merger is not about cutting costs," Lehmann says. "It is about growing and finding additional growth opportunities" ■



BSN medical has well-known brands such as Leukoplast, Cutimed, JOBST, Delta and Actimove.



BSN MEDICAL IN BRIEF

- Sales 2016:** EUR 850 million
- adjusted EBITDA:** EUR 197 million
- Employees:** Around 6,000
- Major Brands:** Leukoplast, Cutimed, JOBST, Delta and Actimove
- Geography:** Headquarters in Hamburg, sales in 140 countries.
- Production:** BSN medical has production facilities in eleven countries.

The art *of*

How do you build a brand? Look at it as a person. Creating an emotional connection between brand and consumer is very similar to building a relationship and making new friends. It starts with a first impression and deepens if you share the same values.

text **SUSANNA LINDGREN** photo **GETTY IMAGES**



branding

Branding is key to making a company stand out from the competition.





IT SOUNDS SIMPLE when Stanley Hainsworth describes the art of brand building. He knows what he is talking about, though, and he has a successful track record from rebranding consumer titans like Nike and Lego. His signature also helped Starbucks and Pepsi, and he currently has his finger on Gatorade.

“It’s all about storytelling,” Hainsworth says. “When you think about a brand it should be like thinking about a person. You should be able to describe the brand like you describe an acquaintance or a good friend.”

At Nike, Hainsworth used the help of sports stars such as Michael Jordan and Andre Agassi to push into branded entertainment. Before he went to work for Nike he was an actor, and it’s easy to think about movie making when he talks about brand character and brand audience. His starting point for any brand building is the creation of a brand book. It has three main chapters: The Mission, which explains why that particular brand exists; The Promise, which describes what customers will feel every time they encounter the brand; and The Characteristics of the brand. Once that platform is solid, it’s time to start to work on that brand-consumer relationship.

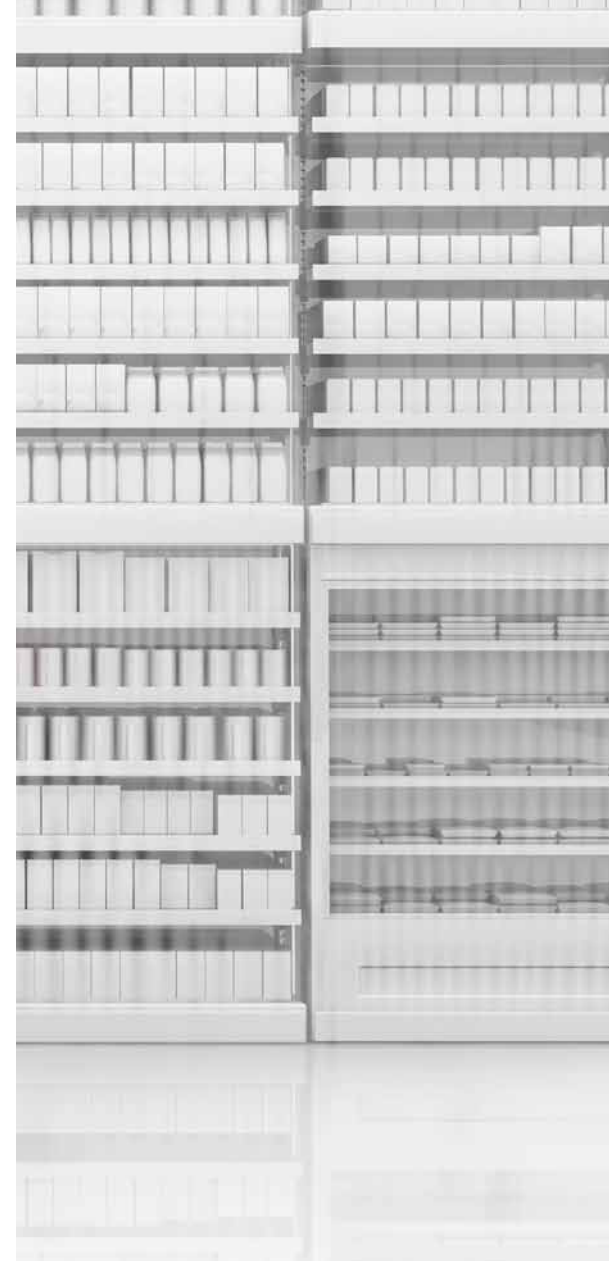
“The first challenge is to attract,” he says. “If I meet you in the street, the only way I can judge you is by your looks. It’s the same in the aisles of a grocery store or when using a web browser. To get a first date there has to be something that attracts you to start the dialogue.”

What makes a consumer pick up a cereal box, take it home and try it? It varies, depending on the message and the receiver. But that first encounter is necessary to enter any lasting relationship with

Embracing disruption through design, Apple changed the perception of what a computer should look like.

“It’s all about storytelling. When you think about a brand it should be like thinking about a person.”

Stanley Hainsworth



takes place, but the values stated in the brand book remain the same.

Most successful, Hainsworth says, are those brands that manage to disrupt a category that has been stable for many years.

“Apple is a great example of disruption through design,” he says. “They changed the perception of what a computer should look like – and also, by the way, it was called ‘Apple.’ That is not the kind of name people were used to for a business machine.”

The greatest flops, on the other hand, he says, are generally caused by not doing the homework properly.

“You can put your logo on anything, but should you?” he asks. “Coffee, food and music were a natural part of the Starbucks experience, but when we promoted a movie that the guest had to go to



Stand out or die?

a theater to watch, it flopped.” A flop on a bigger scale, he says, is Microsoft’s billion-dollar investment in developing the Kin platform.

“Microsoft was struggling against Apple and came out with a phone with social media focus called Kin in 2010,” he says. “The target was 15-year-old girls. I think the product was only on the market for a few months. They had seen an opportunity but not properly researched the market.”

Today there are plenty of new tools for research. Crowd-funding sites like Kickstarter have become markets to test the waters for both new and established brands. To ensure success, a PR-ready video is often posted on the site.

For a first date between brand and consumer to have a chance to grow into something steady, it is essential for the brand to stay relevant. With

e-commerce competing with the brick-and-mortar stores and social media taking up more and more of our lives, companies need to keep a close eye on the digital scene. Most brands have designated staff who monitor social media to pick up trends, check the competition and make sure that anything unfavorable said about their brand gets an immediate response.

“Every visual matters, and it’s important that every tweet, every post on Instagram or Facebook says something about who you are,” Hainsworth says. “Once your brand has a solid foundation declaring what you stand for, you can also have a transparent conversation on social media when a consumer is disappointed. Those in danger are the ones that haven’t created their brand book, and hence their brand platform, properly.” ■





THE NAME OF THE GAME

And the name will be . . . yes, what? Finding a suitable name for a company can be a complex business. How do you make sure you find the right one? Branding expert **Neil Taylor** has spent a lot of time thinking about how companies come up with new names.

text SUSANNA LINDGREN photo ED MILES

IN THEORY THERE are more than 8.4 billion possibilities to form a word with seven or fewer letters. As the name needs to be pronounceable and often work globally, the search naturally has limits.

London-based Neil Taylor is creative partner at The Writer, the world's largest language consultancy. Most of his working life is about giving brands advice on how to communicate. The visual side of a brand, he states, is generally tightly controlled with a logo, special fonts or colors. How brands come across in words, on websites or through customer contacts is just as important. The choice of letters that form the company name is one of many important decisions in the creation of the communication strategy. When the hygiene and health company created by the split of SCA into two companies needed a new name, he gave advice on the shortlisted suggestions.

And the name is Essity. Was that your favorite on the shortlist of names?

It was. It's not a real word, but it sounds like one. The makeup of essentials and necessities has a nice tone to it, a human touch that stems from the personality of the company. ***In the search for a new name, what do you think was the biggest challenge?***

The trick is to find a made-up name that's not too alien, that works around the world. In this case it's an endorsing brand name, and you don't want it to compete with the customer and consumer brands. As it is a corporate name, the consumer on the street doesn't necessarily have to know it. Most important is how employees feel about the name and if it will attract new employees, investors or other stakeholder audiences.

How do you find a perfect name?

The first thing is to not look for a perfect name. There are so many things that can trap you in a naming process. The hardest task is probably to find a name that legally has no problems with it. There are so many companies with trademarks around the world and you need to

find a name that is different. Because there are so many things that can knock out a name in the process, we always advise clients to explore a few different options that can all do the same job.

Where do you start?

Start with the strategy. The example I always give is the mobile phone brand Orange that's now owned by France Télécom. When they named the company, one part was to stand out from the competitors with more tech-sounding names. They could just as easily have chosen to call the company Pink, Gorilla or Cocktail. All of those names strategically gave the same thing – they wanted to stick out.

Are some names more trendy than others?

There is definitely a trend to move toward names that have an independence from the business. As brands often move from one sector to another, the name should have a stretch to it. Take Google, which started as search engine but now is doing driverless cars. If you are called British Airways you are kind of limited. Essity has that kind of stretch to it and is at the same time more connected to the actual products than names like Orange or Google.

How wrong can you go in the choice of name?

Honestly, I think it's really hard to



SUCCESS:
The mobile phone brand Orange stands out from its rivals.



PITFALL:
The car brand Nova can mean "doesn't go" in Spanish.



Neil Taylor says a company's name can be a springboard for communication.

“When you just see that name in isolation it’s easy to say, ‘Oh, I like’ or ‘I don’t’ on the basis of whatever association you have to it.”

pick a disastrous name. First of all, people get used to everything. Over time you stop analyzing a name in great detail. In fact, there is scientific research that says our brains store brand names in a different part of the brain than normal words. Apparently we don’t think about them as just words. We think about them alongside the logo, the colors and other associations connected to them.

Any less successful examples?

There are famous examples, but most of them aren’t really true. Vauxhall and Opel used to have a car called Nova. In Spanish *no va* means “doesn’t go,” which obviously is a bad name for a car. In spite of the possible interpretation, most Spanish speakers could see that

this was a name that had to do with newness, so stories can be overstated. When professional services firm PwC spun off their consultancy agency they named it Monday. I think the idea was “working with us is going to make you like Mondays,” but at the time it was laughed at – as was Orange, by the way. As it happens, Monday was bought a week later by IBM and the name was killed. I absolutely think, though, that if they had stuck with that name and made campaigns around it they would have made it work.

Any favorites?

The most recent one I really liked is Alphabet, the name Google gave their holding company. For a corporate name that was very unusual, but

it has a nice story behind it. It says: Call our headquarters as we are going to bet on things that are going to outperform the market – which in the finance market is called alpha. An alpha bet = Alphabet.

You have written a book about the perils of naming brands. What is your most important message?

Naming its incredibly subjective. I can pick a word like Alphabet. I can invent a word like Essity. When you just see that name in isolation it’s easy to say, ‘Oh, I like’ or ‘I don’t’ on the basis of whatever association you have to it. In real life, employees and customers don’t encounter the name like that. They see it in a richer context – on a sign outside the building, on a business card or in an advertisement. A name is just a word. It only tells part of a story, but it can be an important springboard for the rest of the stuff you want to communicate. ■

THE SCA NAME:

SCA was founded and got its name in 1929. The Swedish financier Ivar Kreuger had experience from mergers in the Swedish match industry (he was actually nicknamed the Match King), and he wanted to merge the forest industry companies in the north of Sweden in the same manner. In October 1929 the forest companies Munksund, Holmsunds, Kramfors and Sundsvallsbolagen became one group, which was given the name Svenska Cellulosa Aktiebolaget, SCA.



Gabriella Ekelund knows the challenges of picking a new company name.

How Essity got its name

The search for a new name started long before the formal decision to split the company in two. The forest product business would keep the name SCA. The challenge was to find a name for the personal care and tissue products.

THE NEW NAME had to meet a wide range of criteria. It should reflect the company history, values and culture.

Gabriella Ekelund, VP corporate brand communications SCA (to be Essity) had a few sleepless nights before the new name was born.

“It also needed to work in a global context and had to be easy to pronounce in all countries where SCA does business – and involve no

negative cultural associations or things that could get lost in translation,” she recalls.

Other criteria were that it had to be memorable, work well in search engines and social media, and of course not be too similar to other names. Just as important were the legal considerations.

Ekelund explains that the name had to be possible to trademark and

“Essity stems from the words ‘essentials’ and ‘necessities,’ a fitting name for the products offered – everyday necessities.”



to register a global internet domain. As the wish was a name that also conveyed a sense of the business, the search became increasingly difficult. The wish list was long.

“Most names related to hygiene, health, well-being and care were already owned,” says Gabriella Ekelund. “Sometimes it felt like taking two steps forward and one step back.”

EVEN SO, the search was fairly quickly narrowed down from literally thousands of options to just a handful.

“Many suggestions came from people working at SCA, which shows the huge engagement.” Then there were name suggestions from the agencies that were asked to conduct interviews with employees in a variety of positions within SCA to gain an insight into the company history, culture and values.

“The new name Essity stems from the words essentials and necessities – a fitting name for the new hygiene and health company that offers products for everyday necessities,” Ekelund concludes. ■

SHAPE UP

Check out what's happening outside SCA



RENAISSANCE OF WIND POWER AT SEA

● The Finnish company Norsepower has developed a rotor sail for tankers, which the Danish shipping giant Maersk will test in 2018 and 2019. But this is no ordinary sail – it's like a pillar, a vertical wing that rotates. When the wind blows against the wing it creates air currents that help to drive the ship forward, just like the drag and lift that keep airplanes aloft.

The hope is that the technology will make the shipping industry both greener and more profitable. Fuel consumption is estimated to be reduced by up to 10 percent, equivalent to 1,100 tons of fuel per year for each ship. New regulations that take effect in 2020 reduce the amount of sulfur allowed in ship fuel, making diesel more expensive.

Incontinence, in the absence of suitable solutions, reduced productivity in China by an average of 12.6 days a year.

Source: SCA, Hygiene Matters

ITALY SET TO OFFER 'MENSTRUAL LEAVE'

● Italy might soon become the first Western country with an official "menstrual leave" policy for working women. The parliament is considering a proposal for a law that would force companies to grant three days of paid leave each month to female employees who experience painful periods, The Independent newspaper reports.

But some fear that the law might backfire since employers could become even more inclined to hire men rather than women.

Despite having fairly generous female-friendly labor laws on paper, Italy has one of the lowest rates of female participation in the workforce in Europe. Only 61 percent of Italian women work, well below the European average of 72 percent.



Healing in the forest

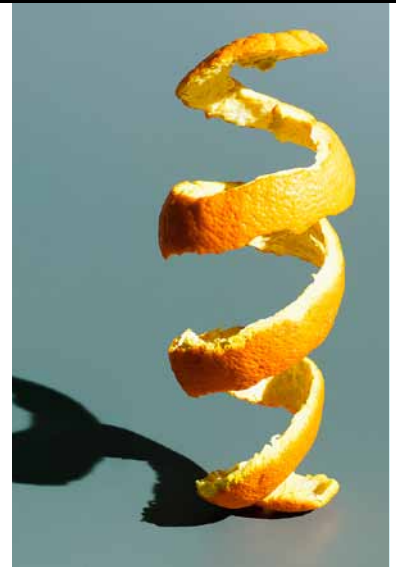
● Have you heard of shinrin-yoku? It's Japanese for "forest bathing" or "taking in the forest atmosphere." Researchers in Japan and South Korea have studied the health benefits of spending time in a living forest. The idea is simple: visiting a natural area and walking in a relaxed way can produce many calming, rejuvenating and restorative benefits, such as:

- Boosted immune system functioning, with an increase in the count of the body's natural killer (NK) cells
- Reduced blood pressure
- Reduced stress
- Improved mood
- Increased ability to focus, even in children with ADHD
- Accelerated recovery from surgery or illness
- Increased energy level
- Improved sleep.



EDIBLE WATER BOTTLE

● Biodegradable water balloons may replace plastic bottles in the future. London-based Skipping Rocks Lab has developed a gel-like packaging for water that it calls Ooho!, made of algae. At first, Ooho! will be sold at music festivals and running events. After you drink the water you can even eat the container.



RECYCLED ORANGES

● Did you know your leftover orange peel can come in handy in the most unexpected ways? Instead of tossing it in the compost you can:

Rub the inside of the orange peel on light bulbs and radiators. Once the devices are flipped on, they'll **emit a fresh scent throughout your home.**

Make easy **orange-scented cleaner** by filling a jug with water and adding peels. Let the mixture sit for a few weeks, shaking occasionally. Use it to mop floors, dust furniture and clean your countertops.

Manicure. Rub on your nails for shine.

Start a fire. Peels are great fire starters for your camping trip or in your home fireplace.

Repel cats – and insects. Scatter peels in your garden to discourage cats from using it as a toilet. The oil in orange peels is a natural insect repellent. Rub a fresh orange peel on your skin to deter mosquitoes.



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1. Study involving 924 respondents (depending on question) from Canada, France, Germany, Italy, Sweden, UK and the USA. Results vary across countries. Kantar Health, LTC Brand Audit Study, August 2014, 1-106.
2. No. 1 Global leader in continence care. Price Hains, Global Outlook For Hygiene Absorbent Products, February 2015.
3. TENA provides products and solutions for consumers and professionals in more than 100 countries; SCA Data on file.

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SCA's vision is 'Contribute to a circular society by providing our customers with sustainable products based on raw materials from responsibly managed forests and an efficient value chain.' The core of the operations is SCA's vast forest holdings in northern Sweden – the largest private forest holding in Europe. SCA's products include solid-wood products, pulp, kraftliner, publication papers and renewable energy.

 <p>Head office Sundsvall</p>	<p>BIOLOGICAL DIVERSITY</p> <p>The forests are managed in a way that sustains the biological diversity, and the trees absorb and store</p> <p>CO₂</p>	 <p>4,000 Employees</p>
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RENEWABLE ENERGY



2.6
million
hectares of environmentally certified forest that is used for:

- Wood-based products
- Printing paper
- Pulp
- Kraftliner



77
million seedlings were produced in 2016

NET SALES 2016 (SEKm)

16,587

“This opens opportunities”

Ulf Larsson, CEO-to-be of the listed forest products company SCA, will be heading a resource-efficient company with strong cash flows and a unique asset – the forest.

text GÖRAN LIND photo PER-ANDERS SJÖQUIST

ULF LARSSON, CURRENTLY president of SCA Forest Products and executive vice president of SCA, will manage the “new SCA” and the forest products business from Sundsvall. Today the forest products business is a relatively independent part of the SCA Group, Larsson says. With sales in 2016 of 16.5 billion Swedish kronor (2 billion US dollars) and more than 4,000 employees, SCA will be a relatively large company on the stock exchange, on a level with listed forest companies Holmen and BillerudKorsnäs.

“The split of SCA into two companies is the best way of continuing to create shareholder value, customer value and further development opportunities,” Larsson says. “Both companies have strong cash flows and can continue to develop in their respective directions.”

For employees, things will remain much the same.

“In the short term, the great majority of employees will not be affected at all, but in the long term they will be positively affected by our increased focus on the forest products business,” he says. “A small number of new hires will be necessary in group functions, partly due to us becoming a separate listed company.”

The increased focus will be noticeable at various levels, partly because

the company will have a board that can focus entirely on the forest products business.

What about relations with the hygiene business? Larsson says SCA Forest Products currently works closely with the hygiene business, particularly in pulp, both in product development and in a supplier-customer relationship. The hygiene business acquires pulp corresponding to about 3 percent of the forest products’ business sales.

“Both companies have strong cash flows and can continue to develop in their respective directions.” Ulf Larsson

“The hygiene business will be one of our key customers in the future too, and collaboration is already on commercial terms,” he says.

Larsson sees a strong future market for the majority of “Forest” SCA’s product areas. Solid wood products show strong underlying growth, and pulp is experiencing increased demand for tissue and packaging, confidence that is manifested in the

SCA will be an efficient, independent forest products company that will include all forest land owned by the SCA Group and the forest products operations, explains Ulf Larsson.





SEK 7.8 billion expansion investment of the Östrand pulp mill.

“Around 25 percent of the forest products business consists of kraftliner (packaging paper), an area with strong demand,” Larsson says. “Another 25 percent consists of publication paper, where the market is declining, but we know that and are prepared for it. We’ve previously sold those areas of the publication paper business that were not strongly integrated with the other operations, and the remaining paper mill, Ortviken, is a very competitive mill with good products.”

Forest holdings are a valuable asset, and Larsson points out that forests were highlighted as part of the solution to climate change at the Paris climate summit in 2015. By extension, this makes SCA part of the solution, in its capacity as Europe’s largest private forest owner. Its volume of standing timber has increased by 50 percent in the past 50 years, and growth continues to be considerably higher than logging.

LARSSON SEES KEEPING the forest holdings in the business as a no-brainer, pointing out that the importance of having fresh forest fiber as a raw material increases as the supply of recovered fiber decreases. SCA is also involved in significant biofuel and wind power operations, and the company also conducts R&D in renewable energy. In 2016 a pilot plant was constructed to produce biofuel and chemicals at the Obbola mill. The fuel and chemicals are produced from black liquor, a residual product from pulp production.

The production units are very advanced from a climate perspective, and wood pellets have replaced oil as fuel at Östrand, Munksund and Ortviken. Energy from the plants is used for district heating. Green electricity is produced at all the paper and pulp mills.

“The new Östrand plant will provide a significant surplus of green electricity, which will be sold to external customers wanting to help reduce climate change,” Larsson says. ■



QUEEN SILVIA AND SCA IN POLAND

HER MAJESTY QUEEN SILVIA of Sweden recently paid a visit to Poland, with a focus on care for elderly people and dementia sufferers and subjects related to nursing education. The occasion for the invitation was the final ceremony of the competition for the Queen Silvia Nursing Award. SCA was invited to the event to create a platform to discuss challenges related to care for seniors and to highlight the significance of the crucial work carried out by nurses.

The winner of Queen Silvia Nursing Award – Natalia Duszeńska – with Queen Silvia of Sweden. The objective of the winning project, titled “It’s Never Too Late To Follow Your Dreams,” is to involve NGOs, institutions and local authorities in making seniors’ dreams come true.

LOTUS FAMILY GETS BIGGER

THE SCA HYGIENE brand Lotus is the market leader in all its product categories in France. At least one Lotus product can be found in half of French homes. SCA is now adding a full range of baby products to the Lotus brand family. With its current assortment of dry and moist toilet paper, tissues, hankies, baby cotton pads, cotton swabs and household towels, Lotus is seen as a family brand. The product range will include a full line of diapers (open and pants) and baby wipes.

“Adding baby products to its product portfolio will both strengthen the brand further and drive profitable growth in the baby category,” explains Volker Zöller, president, Consumer Goods.

Products are available in stores from May.



PROUD BUNZL SUPPLIER

The distribution company Bunzl recently awarded SCA one of its highest honors for the fourth consecutive time – Supplier of the Year. SCA was also named Most Innovative Supplier at the latest biannual Bunzl Supplier Day in Europe.

This is a result of “exceptional service, superior engagement between the businesses and a commitment to the highest quality of supply chain management.”



ITALY LIKES ANTI-BACTERIAL TISSUE

FOR A SECOND time, the SCA brand Tempo is the winner of the Product of the Year award in Italy. Tempo Protect, which won the award for 2017, contains an antibacterial formulation that effectively reduces bacteria and viruses directly in the tissue and thus protects from contamination through the used tissue. The “protect” product has been launched under the Zewa, Lotus and Tempo brands across Europe and Asia.

VOICES FROM A HISTORIC MEETING

SCA held its Annual General Meeting in Stockholm on April 5, and it was a historic event for the company when the shareholders voted in favor of splitting the group into two separate listed companies. *Shape* spoke to some of the shareholders.



1. MARGARETA GÄRDIN-LUNDGREN,
MARIESTAD

What do you think about the split into two companies?

It remains to be seen what the advantages will be.

What do you think of the new name of the hygiene company?

I don't really understand it. We were a bit disappointed. Anything would probably have felt wrong when we're so used to SCA.



2. KARL-JOHAN GRUNDSTRÖM,
UPPSALA

What do you think about the split into two companies?

It won't be a change for the worse for Mölnlycke (hygiene) at any rate. They may get greater opportunities for finding alternative raw material suppliers. The connection between developments in Sundsvall and Mölnlycke hasn't felt very natural to me.

What do you think of the new name?

Great, really good!



3. AMELIA HJELMSTEDT,
AKTIESPARARNA,
UPPSALA

What do you think about the split into two companies?

I hope that they can then each focus on their own business. Then we're looking forward to the listing of Essity and it will be interesting to see who the company directors will be.

What do you think of the new name?

I think it's good! Very good. Essentials and necessities are both in the name.



4. JONNA SAHLBERG,
STOCKHOLM

What were your expectations prior to the AGM today?

I wanted to listen and try to understand what happens at an AGM.

What do you think of the new name of the hygiene company?

Cool, actually – ingenious! The logo was also cool, striking somehow.



5. ARNE WENNERSTÅL,
STENUNGSUND

What do you think about the split?

These are two widely differing areas targeting slightly different customer groups. So I think it's positive, as they can focus on the consumers who use the hygiene products. Forest products have a totally different customer group.

What do you think of the new name?

At first I thought it was an odd name, but it grows on you.

SCA MOVES BACK TO ITS ROOTS

SCA has come full circle. The forest products company is moving its headquarters back to Sundsvall in northern Sweden.

text OLOF AXELSSON *photo* KRISTOFFER LÖNNÅ



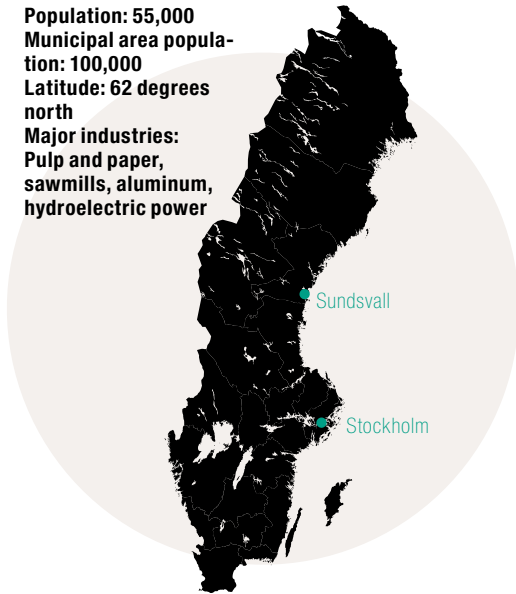
BACK TO THE ROOTS



BACK TO THE ROOTS

ABOUT SUNDSVALL

Population: 55,000
Municipal area population: 100,000
Latitude: 62 degrees north
Major industries: Pulp and paper, sawmills, aluminum, hydroelectric power



The forest products company SCA is returning to its headquarters building in Sundsvall, which opened in 1961.

DURING THE 19TH CENTURY lumber boom, Sundsvall was Sweden's timber mecca, which is witnessed not least by the city's magnificent stone buildings. Svenska Cellulosa Aktiebolaget was founded in 1929 through the merger of a number of smaller forest companies.

At first the company was headquartered in Stockholm, but headquarters were relocated to Sundsvall in 1949 to be closer to the operations.

With its forest, sawmills, paper mills and transport operations, even today SCA is one of the municipality's most important employers.

On account of its size, the company also plays a key role for its subcontractors and the Sundsvall Municipality, but also for Mid Sweden University's forest industry research and local club activities.

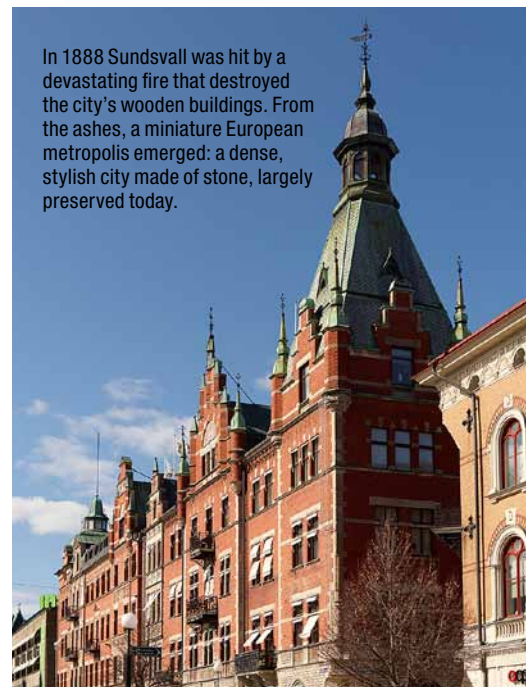
Consequently there was considerable disappointment when the company relocated its headquarters to Stockholm in 1993. The reason was that the forest products business only accounted for a minor part of the Group at that time. Just under a dozen jobs were affected by the relocation, but the symbolic value was much the greater. It is also said that Sundsvall's most exclusive clothing store experienced a substantial dip in suit sales.

Now that SCA is being split into two companies, it has come full circle. The headquarters of the

“Even today SCA is one of the municipality's absolutely most important employers.”

listed forest products company, which is retaining the name SCA, will once again be the building on Skepparplatsen in Sundsvall.

Even today the original floor remains in the map room, according to Björn Lyngfelt, VP communications at SCA Forest Products, who has worked for the Group in Sundsvall since 1986. He is delighted that the city has been entrusted



In 1888 Sundsvall was hit by a devastating fire that destroyed the city's wooden buildings. From the ashes, a miniature European metropolis emerged: a dense, stylish city made of stone, largely preserved today.



MATS HANSEN,
Finance director

PETRA ELF,
Runs a recruitment company

What do you think of when I say SCA?

"Forest, timber and paper, but also freighters."

What significance does SCA have for Sundsvall?

"An enormous amount as so many people work there. But it's also important for the city's identity that Sundsvall is associated with SCA's good reputation."

Headquarters are now moving back to Sundsvall. Your comments, please?

"I think it's great. It's a guarantee that Sundsvall retains skilled jobs."

What do you think of when I say SCA?

"Forest, pulp mills, sawmills and then hygiene products."

What significance does SCA have for Sundsvall?

"A huge amount. The forest is our gold and is closely associated with the city.

Without the timber barons we wouldn't have our beautiful historic buildings."

Headquarters are now moving back to Sundsvall. Your comments, please?

"It's very positive because they need specialists who have not been able to find jobs in Sundsvall previously."





“Local politicians and the business community are, of course, positive, but I’ve also met many other Sundsvall residents who think this is great.”



with housing the headquarters once again. As with the relocation in 1993, the symbolic value is enormous.

“It’s good that decisions will be made close to the operations,” Lyngfelt says.

What does it mean for Sundsvall itself to once again be the headquarters of a listed forest industry giant?

“Local politicians and the business community are, of course, positive,” Lyngfelt says. “But I’ve also met many other Sundsvall residents who think this is great.”

It’s also clear that the new headquarters will

fill a number of skilled posts, including financial jobs.

“Recruitment is going well,” Lyngfelt says. “We’ve already attracted people from Stockholm and abroad.”

It was not quite so simple in the 1950s when SCA decided to relocate its sales organization from Stockholm.

Today the city has a considerably higher status. Thanks to the new headquarters, the city’s restaurateurs and hoteliers are looking forward to increased visitor numbers – especially as next year’s Annual General Meeting will be held in Sundsvall. ■



BACK TO THE ROOTS

With timber, sawmills and paper mills, SCA is one of Sundsvall's leading employers.



STEFAN WASSBRINK,

Energy controller

What do you think of when I say SCA?

"Pulp and forest are the first things that come to mind."

What significance does SCA have for Sundsvall?

"A huge amount in the form of both jobs and various types of collaboration – for example, with Mid Sweden University."

Headquarters are now moving back to Sundsvall. Your comments, please?

"My spontaneous reaction is that it's good – it feels positive. But the question is what difference it will make in practice."

ANNA, FELLÄNDER,

Midwife and school nurse

What do you think of when I say SCA?

"Oh, lots of things. My dad has always worked there. And I pushed the tea wagon in the Skepparplatsen office in my youth."

What significance does SCA have for Sundsvall?

"A great deal. It's a big business that employs lots of people."

Headquarters are now moving back to Sundsvall. Your comments, please?

"It's surely a good thing that the management becomes clearer. But the most important thing is that the name SCA remains the same."



By relocating its headquarters to Sundsvall, SCA will be close to its roots in the forest.

SPIN-OFFS ON THE RISE

A corporate spin-off involves taking part of a company and making it a separate entity, so that each part of the enterprise can focus on its core business and strategy. The practice has become more common in recent years, and research suggests that it benefits both the companies and the shareholders.


text JAN LINDROTH photo GALLERY STOCK

SPIN-OFFS in the business world have rebounded significantly since the financial crisis, supported in part by strong capital markets, low interest rates and activist investors seeking value-creation alternatives. A successful spin-off also has the potential to unlock dormant value in a business unit that can move forward and flourish on its own.

“There is a clear trend of more spin-offs in recent years, and from what we see in the pipeline and from talks with clients, we expect this to continue

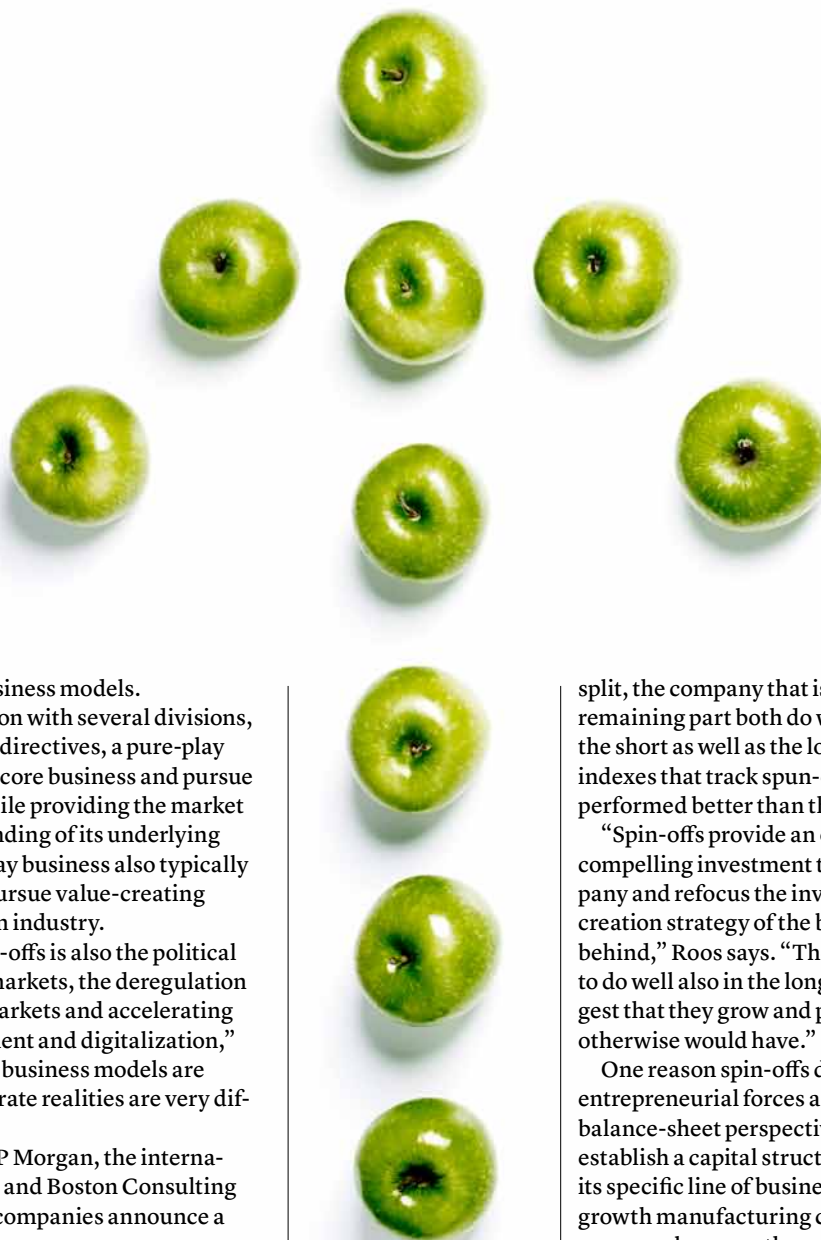
for some time,” says Alexander Roos, senior partner and managing director at Boston Consulting Group, an international management consulting firm. “Interest varies with the industry but in, for example, energy, retail and engineering, it is good.”

Traditionally, conglomerates were valued for the security that came with diverse operations in a single company, but the evolution of easily accessible and open markets has inspired investors to



Split the apple in two and unlock dormant value in the business units.

Division yields multiplication: Splitting the big apple can result in the growth of many new, profitable apples.



seek more pure-play business models.

Instead of a corporation with several divisions, managers and strategic directives, a pure-play spin-off can focus on its core business and pursue its own growth path, while providing the market with a clearer understanding of its underlying value drivers. A pure-play business also typically has more flexibility to pursue value-creating initiatives within its own industry.

“A new driver for spin-offs is also the political uncertainty in several markets, the deregulation or regulation of some markets and accelerating technological development and digitalization,” Roos says. “This means business models are changing and the corporate realities are very different now.”

Research from both JP Morgan, the international investment bank, and Boston Consulting Group shows that after companies announce a

“... many start pursuing a more aggressive growth agenda than before, typically through acquisitions that perhaps were not possible when they were part of a bigger group.”

Alexander Roos, senior partner and managing director at Boston Consulting Group

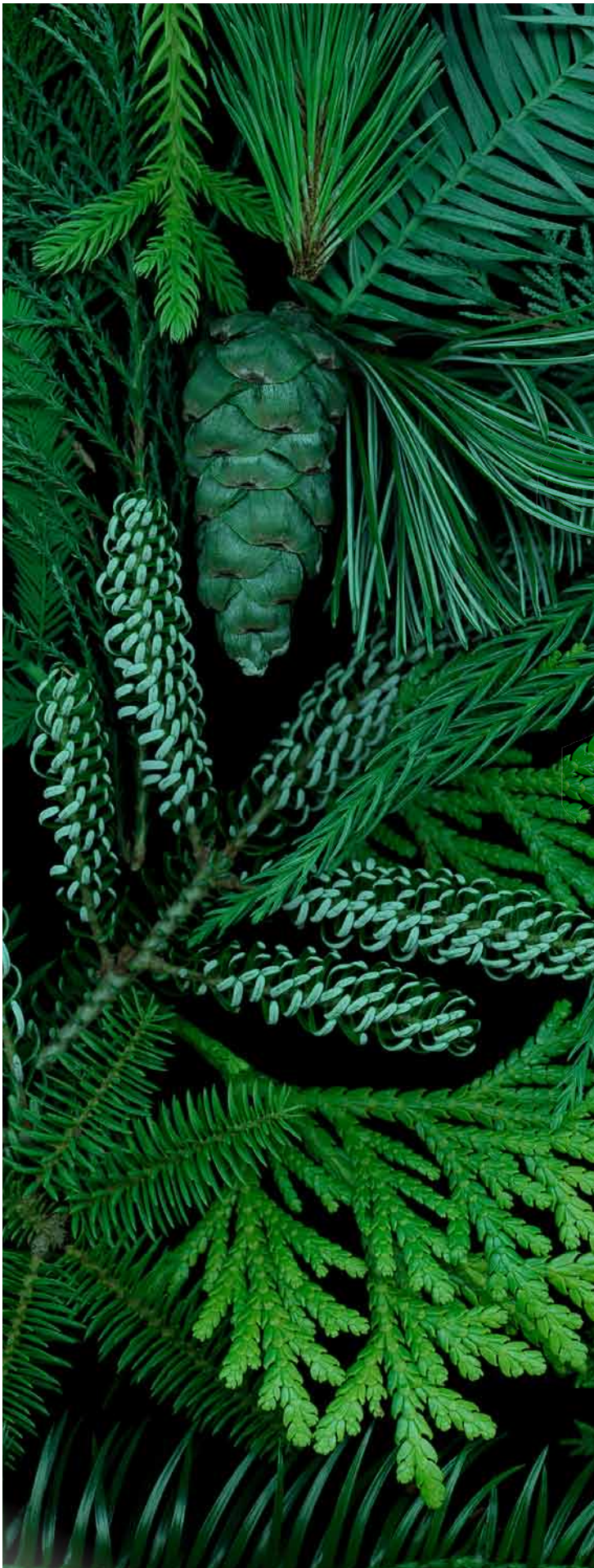
split, the company that is being spun off and the remaining part both do well on the market over the short as well as the long term. Stock market indexes that track spun-off companies have also performed better than the overall market.

“Spin-offs provide an opportunity to define a compelling investment thesis for the new company and refocus the investment thesis and value creation strategy of the businesses that remain behind,” Roos says. “The spun-off companies tend to do well also in the longer run, which would suggest that they grow and perform better than they otherwise would have.”

One reason spin-offs do well is that pent-up entrepreneurial forces are unleashed. From a balance-sheet perspective, a pure play can also establish a capital structure that is appropriate for its specific line of business. For example, a slow-growth manufacturing company might want to use more leverage than a faster-growing software company. In addition, a pure play can better use its stock as currency to fund future acquisitions.

“Companies being spun off often start by going through some focusing and efficiency program,” Roos says. “But after a while many start pursuing a more aggressive growth agenda than before, typically through acquisitions that perhaps were not possible when they were part of a bigger group.”

Although there are many benefits with spin-offs, Boston Consulting Group offers a word of caution that not all spin-offs are successful and that a diligent and well-planned execution is key to the future success of both companies. ■



Last issue of **SHAPE**

SHAPE, a magazine from SCA, primarily geared toward customers, shareholders and analysts, but also for journalists, opinion leaders and others interested in SCA's business and development. The decision has been taken to split the company into two separate listed companies: the hygiene and health company Essity and the forest products company SCA.

We thank all of you *Shape* readers - for interacting with us, providing feedback and comments to the magazine.

As we enter a new chapter for our business, this issue of *Shape* is the last one. You will be able to continue to interact with us on the following sites once the split has taken place:

The hygiene and health company Essity:
www.essity.com

The forest products business SCA:
www.sca.com