



Breaking Barriers to Well-being

# Annual and Sustainability Report 2022

**Essity is a leading global hygiene and health company.**

With brands such as TENA, TENA for Men, Knix, TOM Organic, Libresse, Bodyform, Saba, Nosotras and Modibodi, Essity is a global market leader in the fast-growing leakproof apparel segment. The cover image shows TENA Silhouette Washable Absorbent Underwear.

Essity Aktiebolag (publ)

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■ The Board of Directors' Report and financial statements



The Annual and Sustainability Report 2022 for Essity Aktiebolag (publ) has been submitted by the Board of Directors and describes the company's overall objectives and strategies and earnings for the year. The aim is to describe the business from an economic, social and environmental perspective. The Board of Directors' Report and financial statements are presented on pages 8–10, 28–48 and 50–152 and include the auditor's report. Essity's Sustainability Report has been prepared in accordance with GRI Reporting Standards, SASB Household & Personal Products Standard and includes disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); for index refer to pages 153–155. Pages 40–48, 50–61 and 138–147 encompass Essity's statutory sustainability report according to the requirements stated in the Annual Accounts Act. The company's business model can be found on page 15.



# Essity breaks barriers to well-being

The name Essity stems from the words “essentials” and “necessities”. Hygiene and health are the essence of well-being. As a leading global hygiene and health company, we offer products and services that make a difference every day in people's lives. That is why we are called Essity.

Essity is listed on Nasdaq Stockholm and as of December 31, 2022 had a market capitalization of SEK 192 billion. Sales are conducted in approximately 150 countries under the leading

global brands TENA and Tork, and other strong brands, such as Actimove, JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, TOM Organic, Vinda and Zewa.

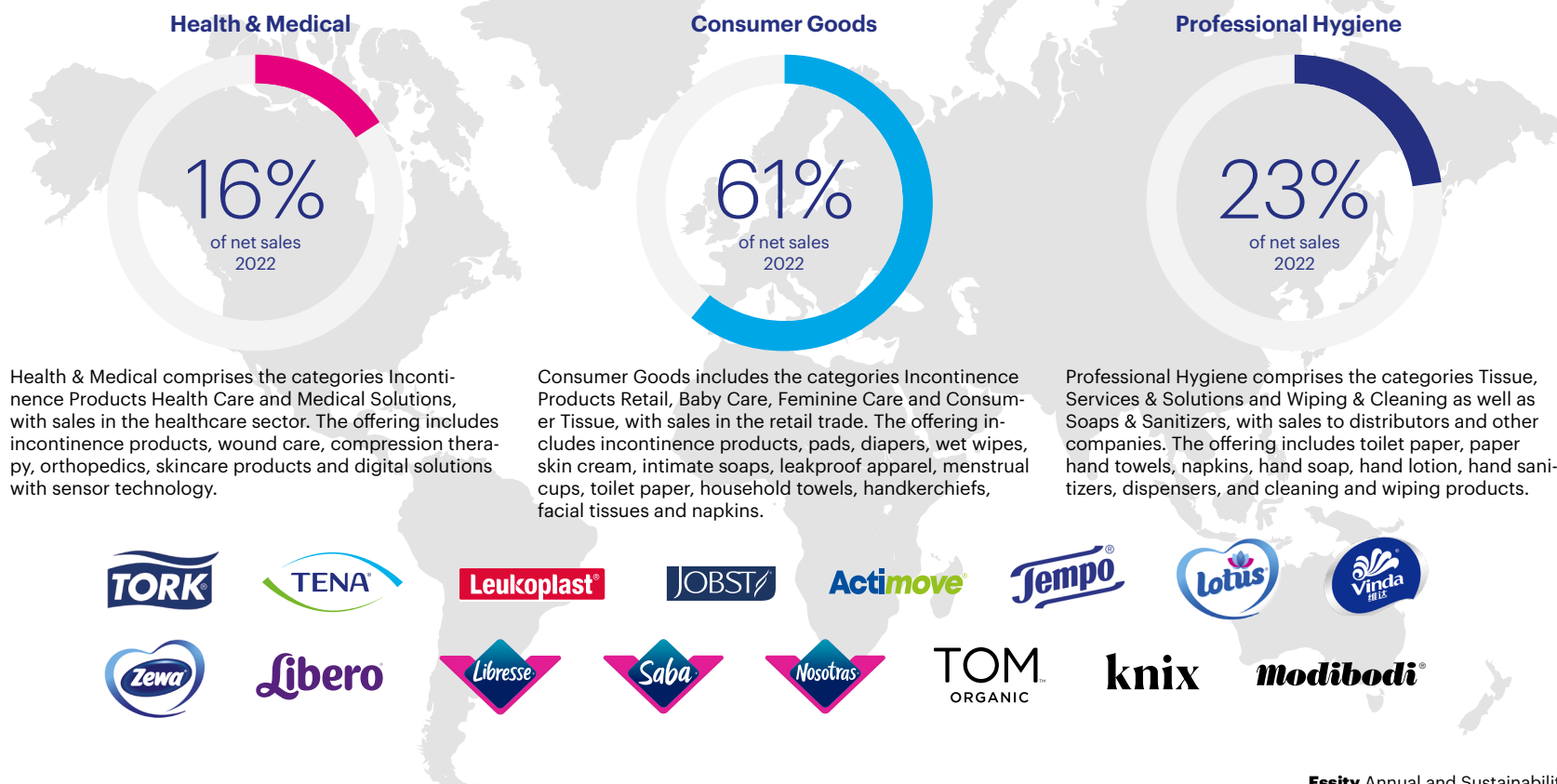
Trends such as longer life expectancy, higher living standards and greater awareness of hygiene and health support Essity's future growth. The focus is on growing, both organically and through acquisitions, within categories and adjacent product areas with high profitability.

Essity strives to increase sales in emerging markets where the use of hygiene and health products is rising.

Successful innovations, digital transformation, strong growth in e-commerce, a leading sustainability work, efficiency improvements and a winning culture contribute to increased customer and consumer value and profitable growth.

Essity pursues global and local initiatives to raise awareness and standards for hygiene and health. By gathering insights, sharing experiences and cooperating with other organizations, Essity provides knowledge and promotes a public discussion about topics such as menstruation, incontinence, hand hygiene, lymphedema and menopause.

## Essity's three business areas, all leading in a growing hygiene and health market:



# Key figures

Sales in approximately

150 countries

Employees, approximately<sup>1)</sup>

48,000

Market capitalization, December 31, 2022

192 SEKbn

Operating cash flow, SEKm

9,167

Net sales, SEKm

156,173

Sales growth<sup>2)</sup>

17.7%

Organic sales growth<sup>3)</sup>

15.7%

Earnings per share, SEK

7.93

Adjusted EBITA, SEKm<sup>4)</sup>

13,058

Adjusted EBITA margin<sup>4)</sup>

8.4%

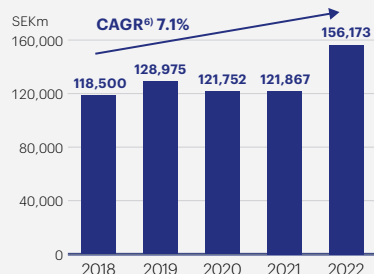
Adjusted return on capital employed<sup>4)</sup>

9.7%

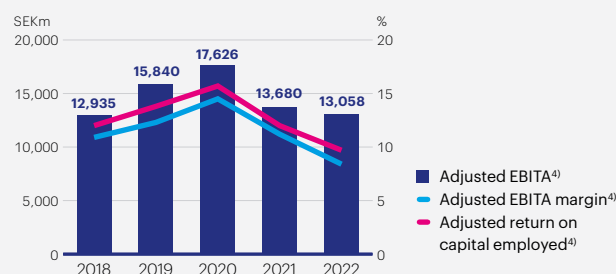
Proposed dividend per share, SEK<sup>5)</sup>

7.25

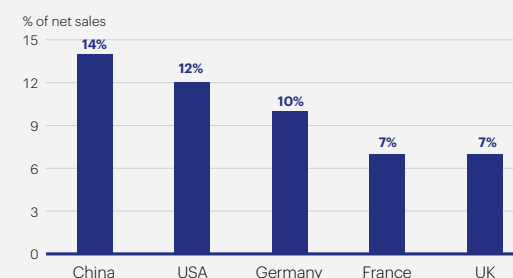
Net sales



Earnings trend



The Group's five largest markets



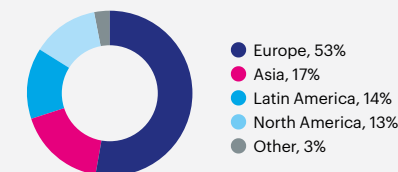
Net sales by business area



Adjusted EBITA<sup>4)</sup> by business area



Net sales by region



1) Relates to average number of part-time and full-time employees during the year and calculated as an average over five quarters.

2) Including organic sales growth and acquisitions.

3) Excluding exchange rate effects, acquisitions and divestments.

4) Excluding items affecting comparability.

5) Board of Directors' dividend proposal.

6) Compound Annual Growth Rate.



# Key events

## Three new attractive business areas

As of January 1, 2022, Essity has new business areas: Health & Medical, Consumer Goods and Professional Hygiene. The business areas are aligned with the company's customer and sales channels and will lead to an expansion of the offerings to new and adjacent categories as well as extended service content on the basis of customer and consumer needs.

A new Group organization was introduced as of December 31, 2022 entailing that Essity has four business units aligned with the company's business areas. The business units are Consumer Goods EMEA, Consumer Goods Americas, Health & Medical and Professional Hygiene. In parallel, the Global Digital & Business Services unit was established.



## Acquisition of company in wiping and cleaning products

In line with Essity's strategy to grow in wiping and cleaning products in Professional Hygiene, the US company Legacy Convert-ing, Inc. was acquired.

## Significant price increases to offset cost inflation

Essity has raised its prices in all business areas as a result of higher raw material, energy and distribution costs.

Further efficiency improvements were achieved through the Manufacturing Road-map program. The company is continuing to work at a high pace with efficiency improvement and energy saving measures as well as raw material rationalization.

## Successful innovation and increased e-commerce sales

Focusing on higher customer and consumer value and reduced environmental impact, Essity launched several successful innovations during the year. Examples include toilet paper from wheat straw under the Zewa brand and a climate-smart diaper under the Libero brand. The Issviva brand has been launched as an innovative global e-commerce platform that provides knowledge and solutions for women experiencing menopause.

In 2022, Essity's e-commerce sales grew 20% to approximately SEK 23bn, corresponding to approximately 15% of net sales.

## A turbulent world

2022 was dominated by the war in Ukraine and the resulting human suffering. Essity has made donations to the UNHCR and other international and local organizations. Work is ongoing to exit the Russian market and the company's assets in Russia have been impaired by approximately SEK 1.7bn.



## World-leader in leakproof apparel through acquisitions

Essity acquired 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The company has a strong presence in the USA and Canada and mainly conducts online sales direct to consumers. Furthermore, the Australian company Modibodi was acquired, a leader in leak-proof apparel in Australia, New Zealand and the UK.

Through these acquisitions, Essity is the global market leader within leakproof apparel<sup>1)</sup>, the fastest growing product segment in Intimate Hygiene, which includes Feminine Care and Incontinence Products.

1) Estimate based on market data compiled by Essity.

## Sustainability awards

Essity has received several awards for the company's sustainability, for example, it was named one of the world's most sustainable companies by Corporate Knights – its Global 100 list represents the top 1% of companies in the world in terms of sustainability performance. In addition, Essity has been included in S&P Global's Sustainability Yearbook 2023 as one of the 100 most sustainable companies.

The non-profit environmental organization CDP has recognized Essity for its leadership in sustainability and Essity was awarded a place on CDP's A list for its work in combating deforestation. Essity was also recognized as a Supplier Engagement Leader by CDP for its successful work with suppliers in the fight against climate change.

## Leader once again in diversity

In the UK business daily Financial Times' annual ranking of diversity work in European companies, Essity was named Diversity Leader for the second consecutive year.

## Partnerships and collaboration for greater well-being

Essity has broadened its partnership with the United Nations Foundation by committing to their #EqualEverywhere initiative to accelerate progress toward achievement of the Sustainable Development Goal of gender equality. A new agreement has been signed between Essity and UNICEF in Mexico to educate and drive awareness of the importance of good hand hygiene and to break taboos around menstruation through the "Hygiene is our right" partnership.

## CEO's message

# Record growth, successful innovations and acquisitions

Every day, we reach more than one billion people with Essity's leading hygiene and health solutions with strong brands such as TENA, Tork, Leukoplast, Tempo, Libresse and Libero. In 2022, Essity reported record growth and achieved its highest ever net sales. Operating profit before depreciation, amortization and impairment was in line with 2021, despite the strong cost inflation. Through successful innovations and acquisitions, we have strengthened and expanded our offerings for the benefit of customers and consumers around the world.



### High sales growth, strong earnings and higher dividend

We acted quickly and firmly in the challenging and shifting external environment that dominated 2022. The strong cost inflation led to rising production and selling costs for Essity and to offset this, we raised prices for our hygiene and health solutions during the year. Despite the price increases, we also increased our sales volumes, which reflects the strength of our leading products, innovations and strong brands. Work with efficiency improvements has been pursued at a high pace. Essity's net sales rose 28% in 2022 to approximately SEK 156bn. The company's operating profit before depreciation, amortization and impairment was in line with 2021. Adjusted EBITA amounted to approximately SEK 13.1bn and the adjusted return on capital employed was 9.7%. Earnings per share were SEK 7.93. The Board of Directors proposes a 4% increase in the dividend to SEK 7.25 per share for the 2022 fiscal year.

The year was dominated by the war in Ukraine and the resulting human suffering. Essity has made donations to UNHCR and other

international and local organizations. Work is ongoing to exit the Russian market and the company's assets in Russia have been impaired by approximately SEK 1.7bn.

### A winning offering

Essity has the number one or number two market position in approximately 90% of the company's branded sales. Our leading market positions and strong brands are built on long-term investments in innovation aimed at continuously expanding and improving our customer and consumer offerings. We achieve this through more functional products, a higher share of premium products, more sustainable solutions, but also digital solutions. To ensure that we are present where our customers and consumers are, we are increasing our presence in the fastest growing sales channels. In 2022, Essity's e-commerce sales grew 20% to SEK 23bn, corresponding to 15% of net sales. Through investments and acquisitions, we also increased the company's "Direct-to-Consumer" sales.

### Acquisitions in fast-growing segments

Three companies were acquired during the year as part of our strategy to expand in segments with strong future growth. The acquisition of the US company Legacy Converting, Inc. will broaden Essity's offering in Professional Hygiene through a stronger position in wiping and cleaning products in the North American market. Two leading companies were acquired in Intimate Hygiene: Knix Wear Inc. and Modibodi, making Essity global market leader<sup>1)</sup> in the fast-growing segment for leakproof apparel.

### Concrete advances in sustainability

Leadership in sustainability is a strategic priority to increase sales and profitability and to reduce risks in the company while we concurrently contribute to a better world. For example, we launched toilet paper made from wheat straw under the Zewa brand and a climate-smart diaper under the Libero brand. The company's carbon emissions in accordance with the Science Based Targets initiative's Scope 1 and 2 have decreased by 18% compared with 2016.

1) Estimate based on market data compiled by Essity.

Essity has also received several awards for the company's sustainability work, for example it was named as one of the world's most sustainable companies by Corporate Knights, has been included in S&P Global's Sustainability Yearbook 2023 as one of the top 100 most sustainable companies, and CDP recognized Essity for leadership in sustainability, including us on its A-list for our work to combat deforestation.

#### **Diversity, equity and inclusion enhance competitiveness**

Essity's leading solutions, marketing campaigns and educational initiatives in hygiene and health promote equality and inclusion in communities around the world. As an employer, we value diversity, equity and inclusion which,

for example, generates more value-creating innovation and better decision making, and thus strengthens Essity's competitiveness. We were named Diversity Leader for the second consecutive year by the Financial Times in its annual review of diversity work in European companies. Essity complies with the UN Global Compact and in 2022 we extended our partnership with the United Nations Foundation by joining the #EqualEverywhere initiative to accelerate progress toward achievement of the Sustainable Development Goal of gender equality.

#### **Priorities in 2023**

We have started 2023 with a new organization that is well equipped to act decisively and

deliver good results. We are continuing to work toward the Group's long-term targets of sales growth of above 5% and adjusted return on capital employed of above 17% by 2025 through innovation, strong brands, and efficiencies that will enable continued price increases and mix improvements. Growth in the fastest growing sales channels and regions and in segments with the highest returns will be prioritized to create increased long-term value for customers, consumers, societies, employees and shareholders.

Magnus Groth  
President and CEO

» Sales growth was strong in all business areas: Health & Medical, Consumer Goods and Professional Hygiene, which are all leading in a growing global hygiene and health market.«





# The share

The Essity share is quoted on Nasdaq Stockholm. Essity's market capitalization was SEK 192bn at December 31, 2022.

## Share price performance in 2022

In 2022, the price of Essity's Class B share declined 7%. During the same period, the OMX Stockholm 30 Index declined 16% and the Peer Group Index<sup>1)</sup> declined 13%. The closing price of Essity's Class B share at year-end was SEK 273.30. The highest closing price for Essity's Class B share during the year was SEK 294.90, which was noted on January 3, 2022. The lowest closing price was SEK 213.10 on March 25, 2022.

The total shareholder return for Essity's Class B share for the year was -4%. The total shareholder return for the OMX Stockholm 30 Index was -13% and for the Peer Group Index -11%.

## Dividend policy and dividend

Essity aims to provide long-term stable and rising dividends to its shareholders. When cash flow from current operations exceeds what the company can invest in profitable expansion over the long term, and under the condition

that the capital structure target is met, the surplus shall be distributed to the shareholders.

The Board of Directors proposes an increase in the dividend of 4% to SEK 7.25 (7.00) per share for the 2022 fiscal year. The dividend represents a dividend yield of 2.7%, based on Essity's share price at the end of the year.

## Index

On the Nasdaq Stockholm stock exchange, Essity is included in the OMX Stockholm 30 Index, OMX Nordic 40 Index and OMX Nordic Consumer Staples index. In addition to indexes directly linked to Nasdaq Stockholm, Essity is included in other indexes, such as the FTSE All World Index and the MSCI Household Products Index within Consumer Staples. Essity is also represented in sustainability indexes such as the OMX Stockholm 30 ESG Responsible Index, FTSE4Good Europe and has the highest MSCI ESG rating of AAA.

## Share trading<sup>2)</sup>

In 2022, the volume of Essity shares traded on Nasdaq Stockholm was about 379 million, corresponding to a value of approximately SEK 94.7bn. Average daily trading for Essity on Nasdaq Stockholm amounted to approximately 1.5 million shares, corresponding to a value of approximately SEK 374m. During the year, trading on CBOE had turnover of approximately 878 million Essity shares, on LSE Group of approximately 225 million shares, and on other trading venues approximately 74 million shares.

## Shareholder structure

48% of the share capital is owned by investors registered in Sweden and 52% by foreign investors. The USA, the UK and Luxembourg account for the highest percentage of shareholders registered outside Sweden.

## Share structure

Essity's share capital comprises two share classes, Class A shares and Class B shares. Every Class A share carries entitlement to ten votes and every Class B share to one vote. Class A and Class B shares confer the same entitlement to receive dividends. Both share classes are listed on Nasdaq Stockholm and are part of the Large cap segment.

## Beta coefficient

The beta coefficient for Essity's Class B share was 0.6 in 2022. A beta coefficient of less than 1 indicates that the share is less sensitive to market fluctuations than average.

## Shareholder communication and share analysts

Information about the company is available at [www.essity.com/investors/](http://www.essity.com/investors/) in the form of reports, presentations and financial data together with a current list of analysts that cover Essity.

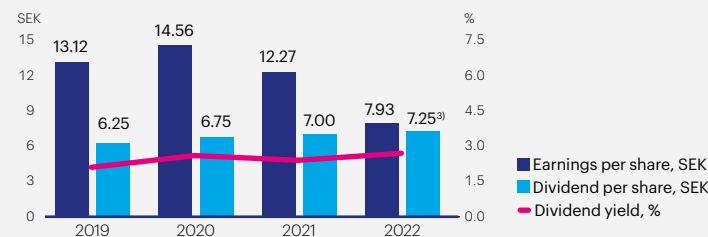
### Earnings per share, 2022

7.93 SEK

### Proposed dividend per share, 2022<sup>3)</sup>

7.25 SEK

### Earnings, dividend and dividend yield



### Total shareholder return 2022

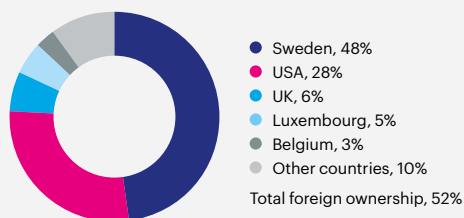


1) Peer Group comprises a selection of competing companies in Essity's business areas Health & Medical, Consumer Goods and Professional Hygiene.

2) Data compiled by Modular Finance.

3) Board of Directors' dividend proposal.

## Ownership by country



Source: Euroclear, December 30, 2022.

## Shareholder structure

Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1-1,000	95,574	19,900,685	2.8	3.2
1,001-10,000	14,148	38,330,309	5.5	6.1
10,001-20,000	691	9,772,049	1.4	1.4
20,001-	828	634,339,446	90.3	89.3
<b>Total</b>	<b>111,241</b>	<b>702,342,489</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear, December 30, 2022.

## Share distribution

	Class A	Class B	Total
Number of registered shares	61,208,914	641,133,575	702,342,489

In 2022, 206,154 Class A shares were converted to Class B shares at the request of shareholders. The total number of votes in the company subsequently amounted to 1,253,222,715.

Source: Euroclear, December 30, 2022.

## Ticker names

Nasdaq Stockholm	ESSITY A, ESSITY B
Bloomberg	ESSITYA:SS, ESSITYB:SS
REUTERS	ESSITYa.ST, ESSITYb.ST

## Essity's largest shareholders

At December 30, 2022, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights:

Shareholders	Votes (%)	Holding (%)
AB Industrivärden	29.6	10.2
Norges Bank Investment Management	6.8	4.7
AMF Insurance and Funds	6.6	2.5
Swedbank Robur Funds	2.8	5.1
MFS Investment Management	2.8	5.0
Skandia	1.9	0.8
Handelsbanken Fonder	1.4	2.5
Nordea Investment Funds	0.9	1.7
SCA AB's and Essity Aktiebolag's (publ) Employee foundations	0.8	0.1
Carnegie Funds	0.7	1.3
Other owners	45.7	66.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear, December 30, 2022.

Essity Aktiebolag (publ) holds no treasury shares.

## Data per share

All performance measures include items affecting comparability unless otherwise stated.

SEK per share unless otherwise indicated	2022	2021
Earnings per share before and after dilution	7.93	12.27
Adjusted earnings per share <sup>1)</sup>	12.28	12.50
Average price during the year	250.44	278.97
Closing price, December 31	273.30	295.40
Cash flow from current operations <sup>2)</sup>	7.66	9.82
Cash flow from operating activities	18.33	20.88
Dividend <sup>3)</sup>	7.25	7.00
Dividend yield, %	2.7	2.4
P/E ratio <sup>4)</sup>	34	24
P/E ratio, excluding items affecting comparability <sup>4)</sup>	22	24
Price/EBITA <sup>5)</sup>	23	19
Price/EBITA, excluding items affecting comparability <sup>5)</sup>	20	19
Beta coefficient <sup>6)</sup>	0.64	0.35
Pay-out ratio, %	91	57
Equity	109	98
Number of registered shares, December 31 (millions)	702.3	702.3

- 1) Excluding items affecting comparability and amortization of acquisition-related intangible assets.
- 2) See definitions of key figures in Note A2, pages 82-86.
- 3) Board of Directors' dividend proposal.
- 4) Share price at year-end divided by earnings per share.
- 5) Market capitalization plus net debt plus non-controlling interests divided by EBITA (EBITA = operating profit before amortization of acquisition-related intangible assets).
- 6) Share price volatility compared with the entire stock exchange.

## Share capital development

The table below shows the development of the company's share capital since 2017.

Year	Event	Change in number of Class A shares	Change in number of Class B shares	Total number of Class A shares	Total number of Class B shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK	Quotient value, SEK
2017	Bonus issue <sup>1)</sup>	64,589,523	637,747,966	64,594,523	637,747,966	702,342,489	2,349,866,980	2,350,366,980	3.35
2017	Conversion	-454,085	454,085	64,140,438	638,202,051	702,342,489	-	2,350,366,980	3.35
2018	Conversion	-147,667	147,667	63,992,771	638,349,718	702,342,489	-	2,350,366,980	3.35
2019	Conversion	-58,129	58,129	63,934,642	638,407,847	702,342,489	-	2,350,366,980	3.35
2020	Conversion	-2,199,470	2,199,470	61,735,172	640,607,317	702,342,489	-	2,350,366,980	3.35
2021	Conversion	-320,104	320,104	61,415,068	640,927,421	702,342,489	-	2,350,366,980	3.35
2022	Conversion	-206,154	206,154	61,208,914	641,133,575	702,342,489	-	2,350,366,980	3.35

- 1) At the Annual General Meeting, held on April 5, 2017, shareholders resolved on a bonus issue. The purpose of the bonus issue was to increase the share capital and number of shares so they would correspond to the number of shares in SCA ahead of SCA's distribution of Essity.

## Examples of sustainability indexes and awards:



# Information to shareholders

## Annual General Meeting

The Annual General Meeting to be held on Wednesday, 29 March 2023 at 3 p.m. at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm (registration from 2 p.m.). The shareholders also have the opportunity to exercise their voting rights by voting in advance (so-called postal voting) ahead of the Annual General Meeting. Shareholders may thereby choose to exercise their voting rights at the Annual General Meeting 2023 by attending in person, through a proxy or by advance voting as instructed below. The notice convening the Annual General Meeting can be found on the company website [www.essity.com](http://www.essity.com).

### A. Right to participate at the Meeting

Shareholders who wish to participate in the Annual General Meeting must

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB as of Tuesday, 21 March 2023; and
- give notice of its intention to participate in the Meeting in accordance with the instructions set out in section “B. Notice of participation at the meeting venue in person or by proxy” no later than Thursday, 23 March 2023, or by submitting its advance vote in accordance with the instructions under section “C. Advance voting” no later than Thursday, 23 March 2023.

For shareholders who have their shares registered through a bank or other nominee, the following applies in order to be entitled to participate in the Meeting. In addition to giving notice of participation, such shareholder must re-register its shares in its own name so that the shareholder is listed in the presentation of the share register as of the record date Tuesday, 21 March 2023. Such re-registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee in accordance

with the nominee’s routines, at such a time in advance as decided by the nominee. Voting rights registration that has been made by the nominee no later than Thursday, 23 March 2023, will be considered in the presentation of the share register.

### B. Notice of participation at the meeting venue in person or by proxy

A person who wishes to participate at the meeting venue in person or by proxy must give notice to the company as instructed below:

- by telephone +46 8 402 90 80, weekdays between 8 a.m. and 5 p.m.,
- on the company website [www.essity.com](http://www.essity.com),
- by mail to Essity Aktiebolag (publ), “Annual General Meeting”, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, or
- by email to [GeneralMeetingService@euroclear.com](mailto:GeneralMeetingService@euroclear.com)

Name, personal identity number/corporate registration number, address and telephone number, and number of accompanying persons (no more than two), if any, should be stated when notification is given. Shareholders represented by proxy shall issue a dated written proxy for their representative signed by the shareholder. A proxy is valid one (1) year from its issue date or such longer period as set out in the proxy, however not more than five (5) years. Proxy forms are available upon request and on the company’s website, [www.essity.com](http://www.essity.com). Anyone representing a legal entity must present a copy of the registration certificate or equivalent authorization document, not older than one (1) year, listing the authorized signatories. To facilitate registration at the Meeting, the proxy as well as the registration certificate and other authorization document should be sent to the company at the address stated above well in advance of the Meeting and no later than Thursday, 23 March 2023.

### C. Advance voting

Shareholders may exercise their voting rights at the Annual General Meeting by voting in advance, so-called postal voting. A person who wishes to attend the meeting venue in person or by proxy must however give notice in accordance with the instructions under section “B. Notice of participation at the meeting venue in person or by proxy” above. This means that a notice of participation only through advance voting is not sufficient for shareholders who wish to attend the meeting venue. A special form must be used for the advance vote. The form is available on Essity’s website, [www.essity.com](http://www.essity.com). Submission of the form in accordance with the instructions set out below is considered as notice of participation in the Annual General Meeting. The completed form must be received by Euroclear Sweden AB no later than Thursday, 23 March 2023. The completed form may be sent to Essity Aktiebolag (publ), “Annual General Meeting”, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden. A completed form may also be submitted electronically. Electronic submission can be made either through verification with BankID in accordance with instructions at <https://anmalan.vpc.se/euroclearproxy>, or by sending the completed form by email to [GeneralMeetingService@euroclear.com](mailto:GeneralMeetingService@euroclear.com). Electronic submission must be made no later than Thursday 23 March 2023. Shareholders may not provide specific instructions or conditions to the advance vote. If so, the entire advance vote is invalid. Further instructions and conditions can

be found in the advance voting form. Shareholders submitting their advance vote by proxy must issue a dated written proxy for their representative signed by the shareholder, which must be enclosed with the advance voting form. A proxy is valid one (1) year from its issue date or such longer period as set out in the proxy, however not more than five (5) years. Proxy forms are available upon request and on the company’s website, [www.essity.com](http://www.essity.com). If the shareholder is a legal entity, a registration certificate or equivalent authorization document, not older than one (1) year, listing the authorized signatories shall be appended to the advance voting form.

### Nomination Committee

- Helena Stjernholm, AB Industrivärden, the Chairman of the Nomination Committee
- Anders Oscarsson, AMF and AMF Funds
- Ola Peter Krohn Gjessing, Norges Bank Investment Management
- Marianne Nilsson, Swedbank Robur Funds
- Pär Boman, Chairman of the Board of Essity

The Nomination Committee prepares, among other things, the proposal for election of Board members. For further information, refer to the Corporate Governance Report on pages 62–71.

### Dividend

The Board of Directors proposes a dividend of SEK 7.25 per share and that the record date for the dividend be Friday, March 31, 2023. Payment through Euroclear Sweden AB is expected to be made on Wednesday, April 5, 2023.

## Financial information 2023–2024

Report	Reporting period	Publication date
Interim Report	Jan 1–Mar 31, 2023	April 27, 2023
Half-year Report	Jan 1–Jun 30, 2023	July 20, 2023
Interim Report	Jan 1–Sep 30, 2023	October 26, 2023
Year-end Report	2023	January 25, 2024
Annual and Sustainability Report	2023	March 2024

Annual and sustainability reports, year-end reports, half-year reports and interim reports are published in Swedish and English (in the event of differences between the English translation and the Swedish original, the Swedish text shall prevail) and can be downloaded from, or subscribed for on, Essity’s website [www.essity.com](http://www.essity.com).



# External environment and market

By analyzing the external environment and market, Essity identifies trends, drivers, opportunities and risks. Several market trends, within areas such as demographics, hygiene and health, sustainability, and digitalization, provide favorable conditions for good growth in the global hygiene and health market.



## Demographics

The global population is growing and the global average life expectancy is rising. This means greater demand for hygiene and health solutions and offers growth opportunities for Essity. For example, the prevalence of incontinence and various chronic conditions rises with age, increasing the need for the products and solutions offered by Essity.



## Hygiene and health

Awareness of the importance of hygiene and health is increasing worldwide and has accelerated further due to the COVID-19 pandemic and a growing threat from antimicrobial resistance (AMR). There is greater awareness of the importance of preventive measures, such as good hand hygiene, cleaning procedures and hygiene solutions both in the home and in professional environments to avoid the spread of infections. This is expected to increase demand in several of Essity's product categories and also demonstrates the importance of Essity's continued development of solutions that improve hygiene and health around the world. Demand is also positively impacted over time by the reduction in poverty worldwide, the fact that living standards and disposable incomes are increasing, and access to healthcare is improving.



## Sustainability

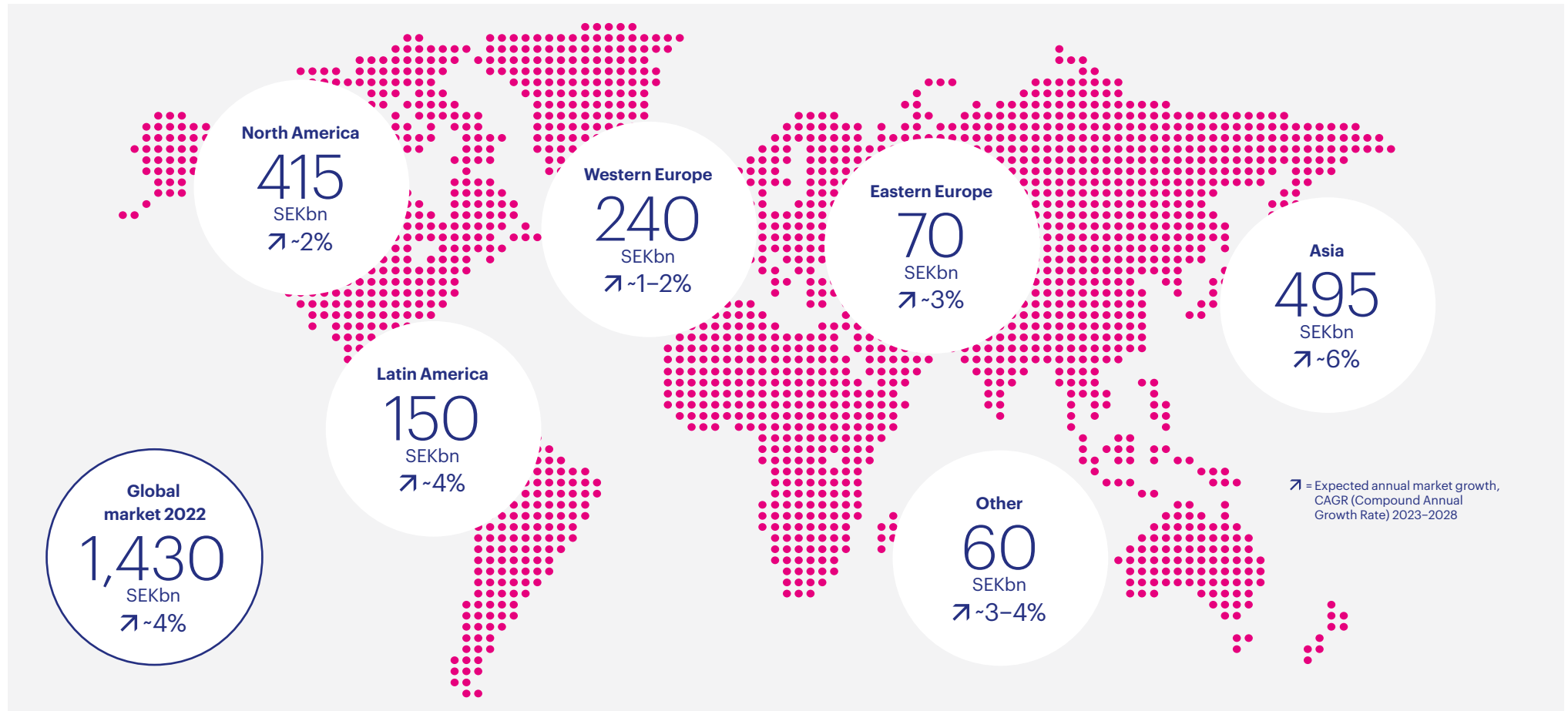
There is a growing awareness of sustainability issues such as climate change, resource scarcity, biodiversity and equal opportunities for people. The COP27 climate summit, global efforts to achieve the Paris Agreement's targets to reduce global warming and the UN Sustainable Development Goals are examples of this. Essity's innovation work is based on the premise of offering solutions that increase opportunities for people to live an active and equitable life, while leaving a lower climate footprint. It is a strategic priority for Essity to be leading in sustainability to ensure its future growth and competitiveness, and to mitigate risks in the company and contribute toward a sustainable society.



## Digitalization

The pace of digitalization in the world is high, which affects all parts of Essity's operations. In order to improve efficiency, quality, service, sales and profitability, Essity is digitalizing production, administration and logistics. Essity is also developing digital solutions for customers and consumers, and has a strong presence in e-commerce sales and on social media.

# Hygiene and health market



Source: The information has been compiled by Essity for presentation purposes based on statistics taken from external market sources, including IRI, Fastmarkets RISI, Price Hanna Consultants, SmartTRAK and National Macro Economics.

## Growth potential in different regions

The use of Essity's hygiene and health solutions, such as tissue, baby diapers and incontinence products, is relatively high in mature markets. Growth is driven by the favorable market trends described earlier. Through inno-

vation and marketing, Essity leverages these trends to grow sales and profitability in the company's three business areas.

In emerging markets, the use of Essity's hygiene and health solutions is significantly lower than in mature markets. One example is

that consumption of incontinence products in Asia is only about one fifth of that in Western Europe, and tissue consumption in Eastern Europe is only about one third of that in Western Europe. A number of trends are increasing demand in emerging markets, including higher

living standards, urbanization and the expansion of retail trade, e-commerce and health and medical care. In emerging markets, Essity has an increased presence and many leading market positions.

## Essity's market positions

### Health & Medical

Incontinence Products Health Care	<b>#1</b>
Compression Therapy	<b>#1</b>
Orthopedics	<b>#3</b>
Wound Care	<b>#5</b>

### Consumer Goods

Incontinence Products Retail	<b>#2</b>
Consumer Tissue	<b>#3</b>
Feminine Care	<b>#5</b>
Baby Care	<b>#5</b>

### Professional Hygiene

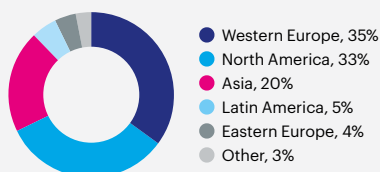
Professional Hygiene	<b>#1</b>
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Source: The information has been compiled by Essity for presentation purposes based on statistics taken from external market sources, including IRI, Fastmarkets RISI, Price Hanna Consultants, SmartTRAK and National Macro Economics.

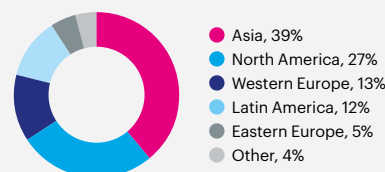


## Global market by region

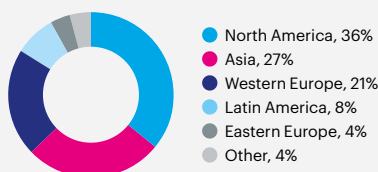
### Health & Medical



### Consumer Goods



### Professional Hygiene

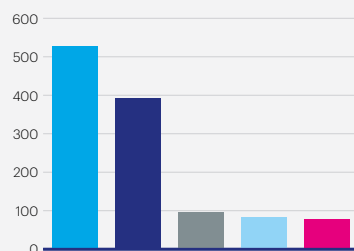


The hygiene and health market amounted to approximately SEK 740bn in mature markets and to approximately SEK 690bn in emerging markets in 2022.

## Use

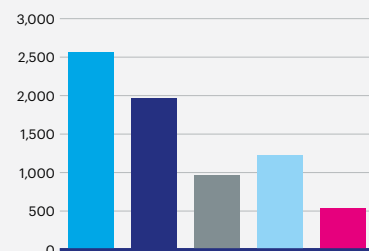
### Incontinence Products

Number per person with incontinence/year



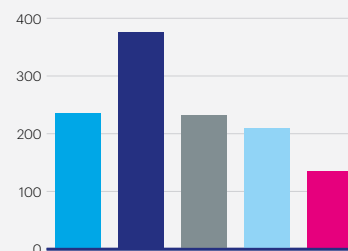
### Baby Care

Number per child up to the age of 2.5 years/year



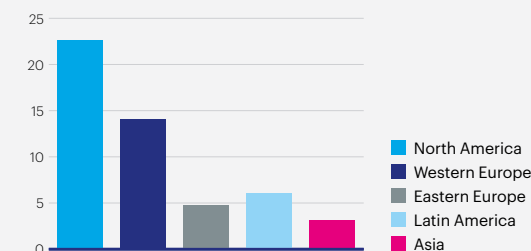
### Feminine Care

Number per woman aged 10–54 years/year



### Tissue

Kg per capita/year





# Purpose and vision



## › Our purpose

### Breaking barriers to well-being

Hygiene and health are more important than ever, and Essity's purpose is to break barriers to well-being. Essity is to be a positive force for change and work to break and overcome barriers that stand in the way of improved well-being across the globe.

## › Our vision

### Dedicated to improving well-being through leading hygiene and health solutions

Essity strives to enable better hygiene and health standards at home and in public spaces through leading solutions.

## › Our mission

### To sustainably develop, produce, market and sell value-added products and services within hygiene and health

We develop, produce, market and sell solutions that create value and better hygiene and health experiences at home and in public spaces. Essity achieves this by supporting the efficiency of hygiene and health routines, and by preventing, treating and monitoring health conditions.

# Business model

Essity's business model is aimed at achieving profitable growth and creating additional value for our stakeholders in line with our mission.

## Resources

Financial capital  
Human capital  
Intellectual capital  
Manufactured capital  
Relationship capital  
Natural capital



**Customer and consumer insights**



**Sustainable innovations**



**Responsible sourcing and sustainable manufacturing**



**Marketing and sales**



**Leading hygiene and health solutions**



## Value creation for our stakeholders

Shareholders  
Customers  
Consumers  
Society  
Employees

## Resources

Essity utilizes resources in the form of financial capital, where equity amounted to approximately SEK 77bn and net debt approximately SEK 63bn in 2022. Furthermore, human capital is used in the form of approximately 48,000 employees and their expertise and experience, as well as intellectual capital such as research and development, patents, licenses, innovation, systems and goodwill. Essity also utilizes capital in the form of raw materials, facilities and infrastructure necessary for production, and relationship capital that includes Essity's relationship with internal and external stakeholders.

Moreover, Essity uses natural capital in its operations, such as forest, energy and water. Essity strengthens the company's competitiveness and reduces its environmental footprint by endeavoring to increase efficiency and reduce resource use.

## Customer and consumer insights

The starting point for Essity's operations is customer and consumer insights. Through knowledge about people's daily needs and challenges, we create an offering that improves well-being and quality of life for people every day.

## Sustainable innovations

Continuous innovation is crucial to steadily improve people's hygiene, health and well-being and to contribute to a sustainable and circular society. Essity has a global unit that works with brands, innovation and sustainability with the support of innovation centers in France, China, Mexico, Sweden, Germany and the USA. Research and development (R&D) costs during the year amounted to approximately SEK 1.6bn, corresponding to about 1.0% of net sales.

## Responsible sourcing and sustainable manufacturing

Essity's main raw materials are pulp, recovered fiber and oil-based materials. The company strives to reduce the use of raw materials.

Essity has around 90 production facilities worldwide. Work to increase efficiency at the facilities is a continuous process that includes digitalization and automation, with the aim to achieve sustainable, efficient world-class production. The cost of goods sold amounted to approximately SEK 117bn. Of which raw materials and consumables approximately SEK 65.5bn, distribution costs approximately SEK 15.7bn and energy approximately SEK 9.6bn.

Essity subjects its suppliers to stringent demands and works throughout the supply chain to guarantee responsible sourcing.

## Marketing and sales

Essity actively strives to build awareness of the company's brand, purpose and product brands, and pursues global and local initiatives to raise awareness and standards for hygiene and health. Essity's marketing costs in 2022 amounted to approximately SEK 7.6bn, corresponding to 4.8% of net sales. An increasing share of marketing is conducted through digital channels.

## Leading hygiene and health solutions

Essity is the global market leader in incontinence products with the TENA brand and in professional hygiene with the Tork brand. Essity also has strong brands in other product categories. Essity holds the number one or number two position in 90% of the company's branded sales.

## Value creation for our stakeholders

Customer and consumer value is created through leading solutions that increase well-being and improve quality of life.

ing and improve quality of life.

Value is created for employees, suppliers and society through, for example, employment, remuneration, tax, increased well-being, sustainability initiatives, and community relations.

Essity generates value for shareholders through dividends and a positive share price trend. We work to maximize shareholder value while prioritizing environmental and social issues by taking financial, environmental and social parameters into consideration in our business decisions.

Our objectives:

- Generate increased **shareholder** value through profitable growth
- Enable more **people** every day to enjoy a fuller life
- Contribute to a sustainable and circular **society**
- Winning with **people** and **culture**

# Strategic priorities

## Health & Medical

Comprehensive health and medical solutions along the continuum of care

## Consumer Goods

Personal and home hygiene for all stages of life

## Professional Hygiene

Hygiene management solutions for a broad set of commercial applications

For each business area, the company's portfolio strategy relies on growing and profitable core operations to finance future growth in adjacencies, new (digital) business models and new categories with high growth opportunities, low capital intensity and high returns, to ensure low volatility and higher profitability over time.

### Strategic priorities:



**Building innovative brands for customers and consumers**

› Read more on page 17.



**Growing positions in East Asia, Latin America and the USA**

› Read more on page 20.



**World-class operational efficiency and service excellence**

› Read more on page 22.



**Leading in the fastest growing sales channels**

› Read more on page 19.



**Committed to sustainable solutions and net zero emissions by 2050**

› Read more on page 21.



**Winning with people and culture**

› Read more on page 23.



# Building innovative brands for customers and consumers

We aim to retain and strengthen our product category leadership and to build number one or two market positions by launching innovations based on customer and consumer insights that boost sales and build leading brands.

## Winning brands for improved well-being

Innovation at Essity is driven by customer and consumer insights, market trends, new technologies and business models. We supply essential hygiene and health solutions that enable better hygiene and health as well as experiences at home and in public spaces. This is achieved by supporting the effectiveness and efficiency of hygiene and health routines, and by preventing and treating various health conditions. By leveraging our global presence and economies

of scale, we strive to accelerate the pace of our innovation and our results.

Essity holds the number one or number two position in approximately 90% of the company's branded sales. A high proportion of branded sales demonstrates product superiority, meaning the first choice for customers and consumers, thereby further strengthening our leading brands.

Our brands are strengthened through Essity's marketing campaigns, which have a

clear purpose to break barriers to well-being. By reaching and following our customers and consumers in digital channels, we increase the value of marketing investments. Together with product innovation, this creates reliable and appreciated brands.

## Sustainable solutions for people and planet

There is growing interest among customers and consumers in making sustainable choices and also paying a premium for these. During the year, Essity further strengthened its offering of sustainable solutions in all its three business areas. 68% of innovations launched in 2022 yielded social and/or environmental improvements.

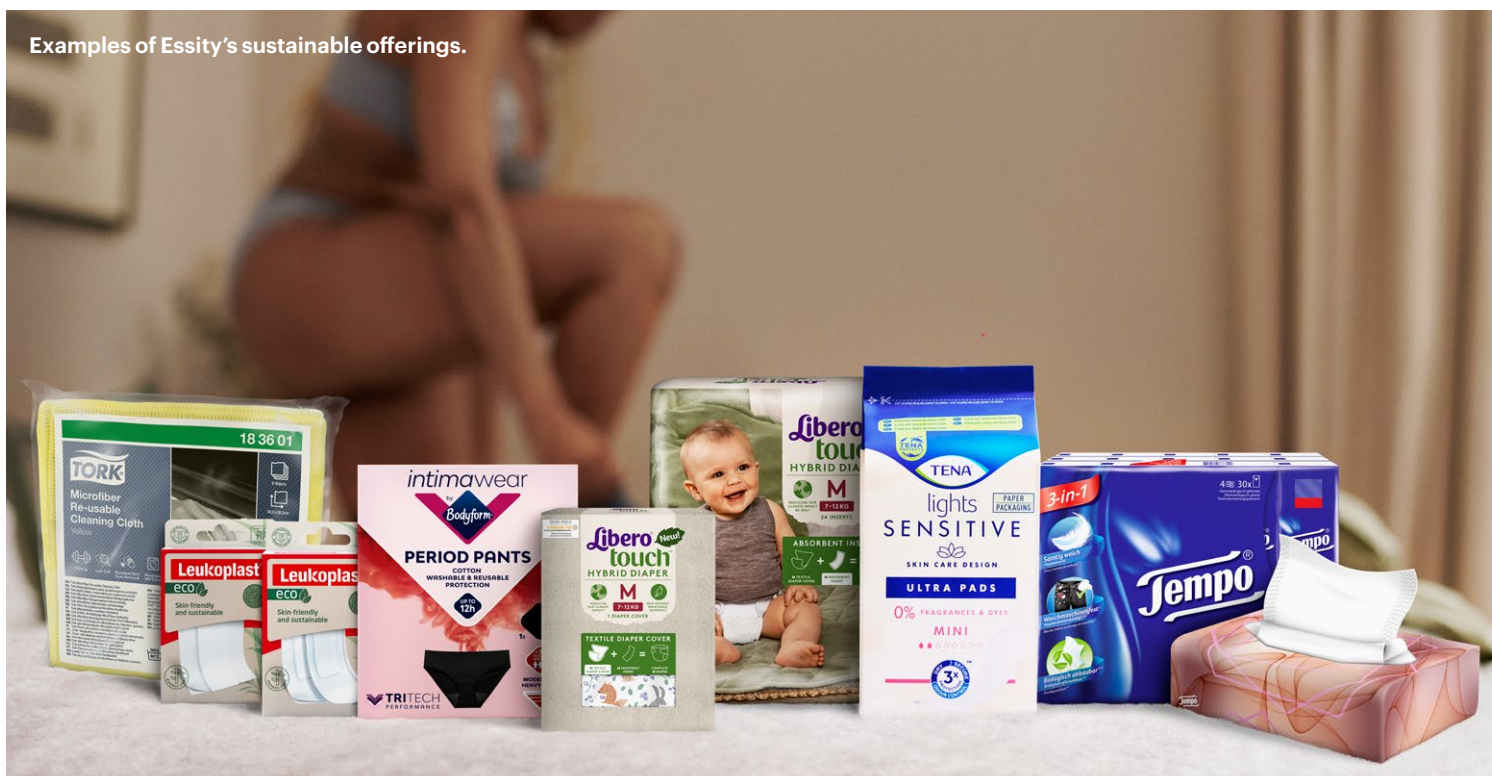
### Reusable solutions

During the year, Knix and Modibodi were acquired, two leading companies in leakproof apparel. Leakproof apparel is washable and reusable, thereby reducing consumer waste compared with disposable products. Through these acquisitions, Essity is the global market leader in leakproof apparel<sup>1)</sup>, the fastest growing product segment in Intimate Hygiene, which includes Feminine Care and Incontinence Products. Essity also sells leakproof apparel under such brands as Libresse, Bodyform, Saba, TOM Organic and TENA.

In Baby Care, Essity launched a hybrid diaper under the strong Libero Touch brand during the year. The diaper consists of an absorbent disposable insert and a washable cloth diaper, resulting in a 35% reduction in climate impact and 22% less waste compared with a standard diaper.

1) Estimate based on market data compiled by Essity.

Examples of Essity's sustainable offerings.



### *Raw materials and packaging for a lower carbon footprint*

Essity strives to increase the use of recycled and renewable material in packaging and products. In 2021, Essity began tissue manufacturing using pulp from wheat straw at its production facility in Mannheim, Germany. The pulp produced will have lower carbon emissions, use less water and energy as well as fewer chemicals. In 2022, the first consumer tissue to the retail trade was launched under the Zewa brand, and the launch received a highly positive response from consumers.

In Medical Solutions, Essity launched Leukoplast Eco, environmentally friendly plasters manufactured from at least 90% natural and renewable material and in Feminine Care, pads were launched under the Nana brand in packaging manufactured from at least 80% plant-based and recycled material.

### **Value-creating digital innovations**

New digital technologies create opportunities for better hygiene and health outcomes and experiences. Essity has launched several successful digital solutions in recent years.

In Health & Medical, for example, Essity has launched TENA Bladder Sensor, a wearable ultrasound sensor that measures levels in the bladder and sends a notification when it is time to visit the bathroom, and the TENA Family Care App, which makes life easier for caregivers of family members in the home. Cutimed Wound Navigator is a digital wound management solution. The innovative mobile app registers the size and other properties of the wound. An assessment is carried out based on this data to offer the patient the most suitable care and wound care product.

In Professional Hygiene, more customers are seeing the advantages of Tork Vision Cleaning, which enables cleaners of public spaces to use real-time data to ensure better hygiene outcomes and experiences.



Tork Vision Cleaning



# Leading in the fastest growing sales channels

In 2022, Essity's e-commerce sales grew 20% to SEK 23bn, corresponding to approximately 15% of the company's net sales. The rise in e-commerce sales also offers higher profitability with a better product mix as a result of increased sales of premium products and own brands.

## Leading in all channels

Essity over-invests in the fastest growing customer, category and channel segments to gain a leading position in attractive markets and to generate profitable growth. Our strategy is based on four development areas: maintain a presence in all relevant channels (online and offline), grow with winning customers, grow e-commerce sales faster than the market, and increase our "Direct-to-Consumer" sales.

Essity's distribution channels for products and services are the retail trade, distributors, pharmacies, hospitals and e-commerce. In recent years, we have shifted from traditional distribution channels offline to more digital channels. Through digital interaction with customers and consumers, we also gain a better understanding of their needs, challenges and expectations. This helps us to develop the best hygiene and health solutions, implement more successful communication campaigns and improve our "go-to-market" model.



## Expanding presence and higher online sales

We are continuously investing in e-commerce to benefit our customers and consumers. During the year, Essity strengthened its presence in online channels through the acquisitions of Knix and Modibodi, two leading companies in leakproof apparel with high sales

in online channels and "Direct-to-Consumer". Essity also launched Issviva, a new brand for women experiencing menopause and an innovative global e-commerce platform that provides knowledge, solutions and products for women during the various stages of the menopause.



# Growing positions in East Asia, Latin America and the USA



Essity strives to increase the company's share of sales and earnings in emerging markets, mainly in East Asia and Latin America, where the use of hygiene and health solutions is significantly lower than in mature markets. In addition, Essity continues to see significant growth opportunities in the USA for all three business areas.

Growth is prioritized in markets where the company already holds strong market positions, such as East Asia and Latin America, and which are supported by favorable market trends. In 2022, sales in emerging markets increased by 12.8% and accounted for 37% of net sales. The adjusted EBITA margin was 8.1%, which is an improvement of 1.6 percentage points compared with 2015.

The USA is also a prioritized market with great growth potential as the world's largest economy.

## East Asia

Essity is market leader in China and Asia in Consumer Tissue through its majority shareholding in Vinda and also has a growing presence in Feminine Care with the Libresse brand, in Incontinence Products with TENA and in Professional Hygiene with Tork. Over time, Vinda's sales has increased due to, among other things, higher market penetration and more premium products.

## Latin America

Essity has strong brands and market positions in Latin America, a market that offers opportunities for further expansion in chosen regions and categories. The aim is to be the fastest growing hygiene and health company in the region, through innovation, increased premiumization, leading brands and increased e-commerce sales, including "Direct-to-Consumer".

## USA

The USA is the world's largest economy and the largest hygiene and health market in the world. In the USA, Essity has a presence in the Professional Hygiene, Incontinence Products Retail, Feminine Care, Incontinence Products Health Care and Medical Solutions categories.

In 2022, Essity strengthened its operations in the USA through two acquisitions: Legacy Converting, Inc., an American company that supplies wiping and cleaning products, and Knix Wear Inc, a market leader in leakproof apparel in the USA.

In 2021, Essity also strengthened its North American Medical Solutions operations through the acquisitions of the professional sports tape brands Coach, Elastikon and Zonas, the wound care company Hydrofera, and Aqua-Cast Liner, a specialist company in orthopedics.

# Committed to sustainable solutions and net zero emissions by 2050

Sustainability is integrated into Essity's strategy and a priority for long-term profitable growth. We are committed to reducing our climate impact, protecting biodiversity, contributing to a circular society, and achieving net zero emissions by 2050.

## Our sustainability targets

We have set ambitious targets to reduce greenhouse gas emissions across the value chain, limit our burden on the environment and reduce our impact on biodiversity. Essity's target is to achieve net zero emissions of greenhouse gases by 2050 and zero production waste by 2030. In 2018, our climate targets were approved by the Science Based Targets initiative for Scope 1, 2 and 3, and we raised our ambitions for Scope 1 and 2 in 2021. We are taking action throughout the value chain, from sustainable sourcing of raw materials to waste after use.

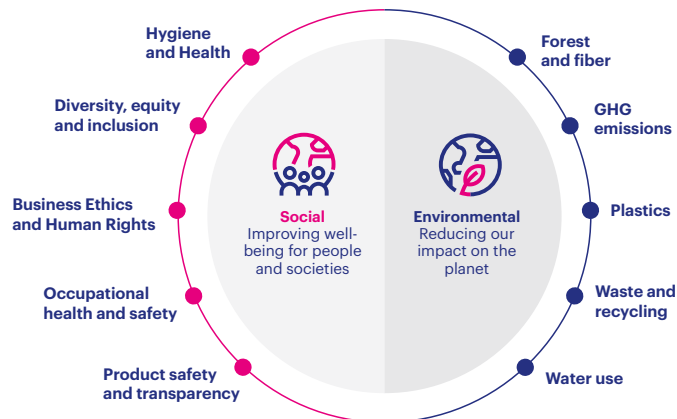
## Key action areas

In 2022, Essity further developed its sustainability framework and identified areas where we can have the greatest positive impact for the well-being of people and planet. Various initiatives and KPIs have been set in each area to ensure that we achieve our sustainability ambitions.

Read more about Essity's ambitions and progress on sustainability on pages 50–61.

## Sustainability awards

During the year, Essity was recognized on a number of occasions for its sustainability work, for example, it was included in S&P Global's Sustainability Yearbook 2023 and received the Supplier Engagement Leader award from the global non-profit environmental organization CDP. CDP also recognized Essity for its leadership in sustainability, with Essity claiming a place on CDP's prestigious A List for its work in combating deforestation.



Leukoplast Eco offers environmentally friendly plasters manufactured from at least 90% natural and renewable material.



# World-class operational efficiency and service excellence

Essity drives world-class efficiency and service excellence in all aspects of the business and has an agile organization that focuses on continuous improvements and cost savings. One initiative is the Manufacturing Roadmap program, which was launched in 2020 and aims to optimize the production structure, improve productivity and deliver raw material and energy savings.

## Continuous improvements and cost savings

Essity works with continuous improvements through its constant focus on efficiency and quality. This strengthens the company's competitiveness, enhances financial performance and reduces environmental impact. We strive to increase productivity and reduce the use of materials and energy, waste as well as logistics and distribution costs. Moreover, rapid adjustments are enabled for innovations, product adaptations and service excellence to customers and consumers.

The Manufacturing Roadmap program extends until 2025 and will contribute to cost savings through optimized production structure, efficiency improvements and raw material and energy savings. These measures facilitate growth without investments increasing at the same pace. In 2022, Essity continued to improve productivity through greater efficiency in our production facilities, material rationalizations and digitalization of processes.

## Digitalization for higher efficiency, quality and service levels

Digital solutions help to increase process efficiency through automation and robotization of production, distribution, logistics and administration. Based on the needs of our customers and consumers, Essity strives to achieve higher service levels and service content, as well as improvements in quality, efficiency and sustainability through, for example, data analysis for more effective control of production flows and maintenance planning, and better decision data.

Through the establishment of logistics hubs in Barcelona and North America that work with digital analysis and planning of demand, deliveries, stocks and transportation, Essity has achieved much more efficient management of its global logistics and distribution, resulting in cost savings and better service levels than competitors.





# Winning with people and culture

Essity offers attractive, inclusive, and sustainable workplaces with committed employees that help break barriers to well-being in a unique corporate culture.

## Leadership

We are convinced that good leadership is fundamental in creating a strong culture and achieving world-class results. Our leadership platform defines the competences required by Essity's leaders and offers guidance in recruitment and development efforts. We constantly endeavor to develop and deliver Essity's global leadership program and other upskilling activities, as part of our global Leadership Academy.

## Diversity, equity and inclusion

Essity's commitment in diversity, equity and inclusion (DEI) is specified in the Group's targets. According to our commitment, gender distribution at all management levels is to be within the interval 40/60% no later than 2025. In 2022, we outlined a global roadmap to deliver our DEI goals. Essity's DEI efforts are firmly supported by the company's Beliefs and Behaviors and its purpose. Moreover, they help to increase our innovative capacity, and to attract and retain employees. Our focus on DEI is also important for our customers and consumers, as we contribute to a more sustainable society.

### Essity's Beliefs and Behaviors

We are committed to delivering superior results



We care for our customers, consumers, the environment and each other

#### Beliefs

We have the courage to take the lead



We collaborate across teams, functions and businesses

The aim to break barriers to well-being forms the foundation of Essity's corporate culture and is reflected in our Beliefs and Behaviors, which serve as a compass for how we work, make decisions and cooperate with each other.

## Building for the future

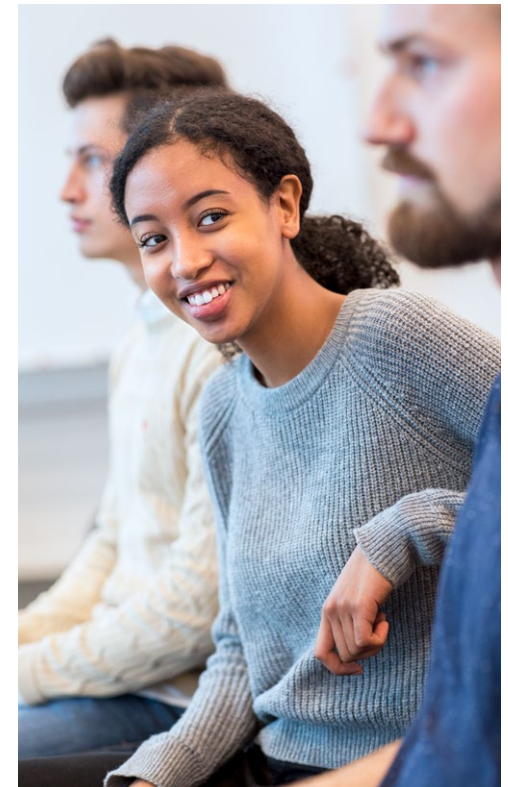
The continuous development of employees and leaders is crucial for Essity's long-term success and its opportunity to attract and retain the right talent and skills. Learning and development is a fundamental part of our employees' everyday life and takes place through practical experience, training and colleagues. We drive the development of talent and individual development plans based on business requirements, personal strengths and development areas.

Essity runs both leadership and functional academies as well as a range of different mentorship and coaching programs. We are continuing our shift from traditional to digital learning and are exploring new technologies that can help us make learning part of day-to-day work. Read more on pages 51-53.

## Attracting and retaining talent

Essity aims to attract and engage the talent of today for the Essity of tomorrow. We focus on communicating our employer offering to specific target groups and build relationship and recruit talent on and offline. To ensure a strong inflow of new talent, we run programs targeting recent graduates, such as Essity Go!

We reward employees using a Total Reward approach, which entails a mixture of monetary and non-monetary components. We offer market-competitive remuneration comprising salary, variable remuneration, pension and other benefits. Essity follows local salary structures and respects internationally established rules for minimum wages and reasonable compensation. The variable remuneration programs cover most employees at Essity. Our workplace philosophy is to offer a work environment with attractive offices and flexibility, as well as Group-level health and safety programs. Read more on page 51.



Our priorities for employees and culture aim to make us an attractive employer and to develop a culture and skillset that satisfy the company's needs. The priorities are divided into four target areas.



A culture where people thrive



Learning as part of everyday work



Attract and retain the right talents



A safe, sustainable and healthy workplace

# Financial targets and outcomes

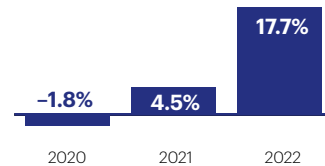
## Annual sales growth<sup>1)</sup>

Target:

>5%

Outcome 2022:

17.7%



In 2022, sales growth, including organic sales growth and acquisitions, amounted to 17.7%, of which volume accounted for 1.7%, price/mix for 14.0% and acquisitions 2.0%.

## Capital Structure Policy

Target:

Maintain a solid investment grade rating

Outcome 2022:

Solid investment grade rating

Net debt amounted to SEK 62,869m. Net debt in relation to adjusted EBITDA<sup>2)</sup> amounted to 3.08.

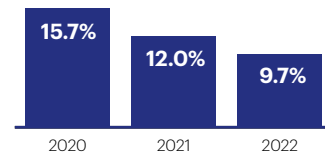
## Adjusted return on capital employed<sup>2)</sup>

Target by 2025:

>17%

Outcome 2022:

9.7%



In 2022, return was negatively impacted by significant cost inflation, mainly for raw materials, energy and distribution. Earnings were positively impacted by significantly higher selling prices, higher volumes and a better mix.

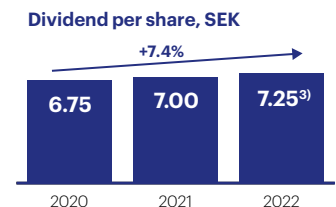
## Dividend Policy

Target:

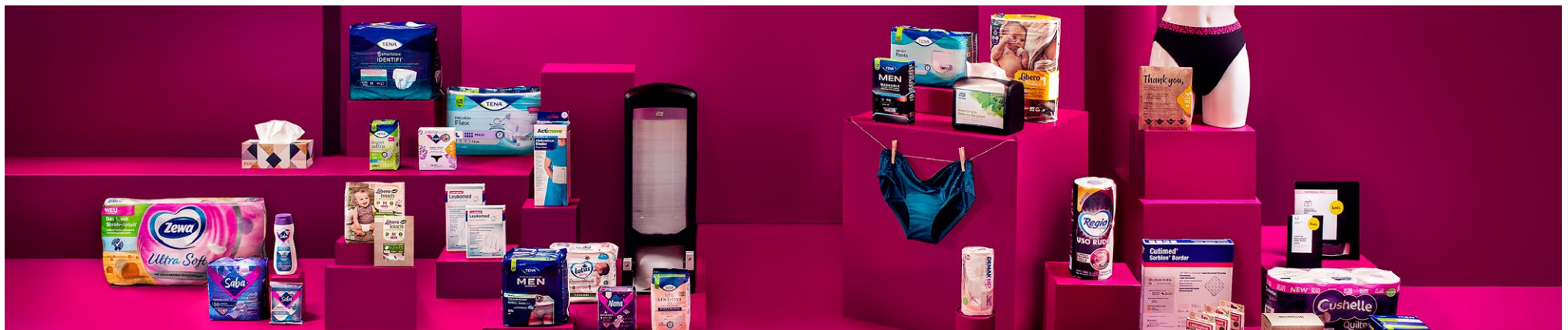
Long-term stable and rising dividends

Outcome 2022:

7.25<sup>3)</sup> SEK



The Board of Directors proposes an increase in the dividend of 4% compared with 2021 to SEK 7.25 per share for the 2022 fiscal year.



<sup>1)</sup> Including organic sales growth and acquisitions.

<sup>2)</sup> Excluding items affecting comparability.

<sup>3)</sup> Board of Directors' dividend proposal.

# Sustainability targets and outcomes

## Science Based Targets

**Target 2030 (compared with 2016):**

**Outcome 2022:**

Scope 1 and 2 **-35%**

Scope 1 and 2 **-18%**

Scope 3 **-18%**

Scope 3 **-10%<sup>1)</sup>**

Essity's climate-affecting emissions are divided into three different classes (Scope) depending on origin. Scope 1 and 2 are directly linked to Essity's production. Scope 3 reports indirect emissions in Essity's value chain.

## Sustainable innovations

Share that yielded social and/or environmental improvements

**Target:**

**Outcome 2022:**

**>50%**

**68%**

Sustainable innovations are measured as the share of revenue from innovations launched in the most recent three years. For example, 2022 saw the launch of Leukoplast Eco, Libero Touch hybrid diaper, as well as leakproof apparel under such brands as Libresse, Bodyform, Saba, TOM Organic and TENA.

## Health and safety

Decrease in total recordable incident rate compared with 2019

**Target 2025:**

**Outcome 2022:**

**-75%**

**-39%**

The Total recordable injury (TRI) figure includes Lost time accidents (LTA), Restricted work cases (RWC) and Medical treatment cases (MTC). All of Essity's production facilities are conducting purposeful and systematic work with safety issues.

1) Outcome in 2021.

## Gender distribution at management levels

**Target 2025:**

**Outcome 2022:**

**40/60%**

**32/68%**

Essity's target is that gender distribution at all management levels (Executive Management Team, senior management, middle management) is to be within the interval 40/60% no later than 2025, where the majority group based on gender is to constitute no more than 60%. The target is reported at an aggregate outcome level for the three management levels.

## Fresh fiber

Share of FSC™ or PEFC™-certified fresh fiber

**Target:**

**Outcome 2022:**

**100%**

**97%**

Through certifications such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), Essity ensures sustainable fiber sourcing, thereby preventing deforestation and promoting biodiversity.

## Production waste

Subject to material or energy recovery

**Target 2030:**

**Outcome 2022:**

**100%**

**62%**

Resource efficiency and the reduction of waste are important in Essity's production facilities. The target is that all production waste will be subject to material and energy recovery by 2030, which reduces greenhouse gas emissions.



# Sustainability targets and outcomes

## Packaging

Share of packaging manufactured from renewable and/or recycled material

**Target 2025:**

85%

**Outcome 2022:**

80%

Essity is striving for 100% recyclability and 85% renewable or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands.

## Responsible sourcing

Share of total purchase cost from suppliers that comply with Essity's Global Supplier Standard

**Target 2025:**

95%

**Outcome 2022:**

90%

Essity has a Global Supplier Standard to ensure responsible business operations and respect for human rights in the company's supply chain.

## Business ethics and Code of Conduct

Share of new employees who received training in the Code of Conduct

**Target:**

100%

**Outcome 2022:**

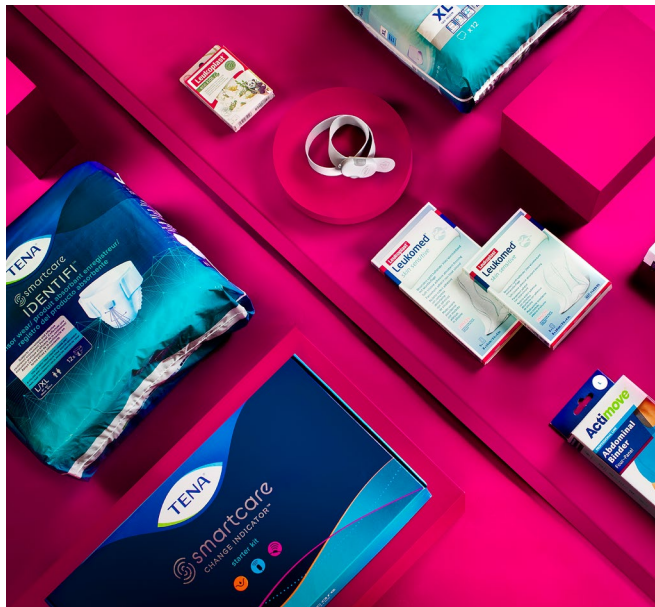
90%

The Code of Conduct describes how employees are to act, how the company operates, stakeholder expectations of Essity, and Essity's commitment to human rights. All wholly owned subsidiaries are bound by the Code of Conduct.



# Our business areas

Essity is active in an attractive hygiene and health market with leading market positions and strong brands in the company's three business areas: Health & Medical, Consumer Goods and Professional Hygiene. Within the respective business areas' customer and sales channels, we are broadening our solutions for improved well-being for customers and consumers and investing in long-term, rising value creation.



## Health & Medical

➤ Read more on page 28.

16%  
of net  
sales 2022

## Consumer Goods

➤ Read more on page 30.

61%  
of net  
sales 2022

## Professional Hygiene

➤ Read more on page 32.

23%  
of net  
sales 2022



# Health & Medical

## Comprehensive health and medical solutions along the continuum of care

### KEY FIGURES

25,239

Net sales, SEKm

9.6%

Sales growth<sup>1)</sup>

7.3%

Organic sales growth<sup>2)</sup>

11.5%

Adjusted EBITA margin<sup>3)</sup>

8.6%

Adjusted return on capital employed<sup>3)</sup>

- 1) Including organic sales growth and acquisitions.
- 2) Excluding exchange rate effects, acquisitions and divestments.
- 3) Excluding items affecting comparability.

The Health & Medical business area comprises the categories Incontinence Products Health Care and Medical Solutions that are sold to family caregivers, professional caregivers, patients and consumers via pharmacies, medical device stores, hospitals, distributors, care institutions and e-commerce.

### Incontinence Products Health Care

In Incontinence Products Health Care, with the globally leading brand TENA, Essity offers a broad range of incontinence products that also includes skincare products, wet wipes, wash gloves and digital solutions with sensor technology, with sales in the healthcare sector.

With the TENA brand, Essity is the global market leader in Incontinence Products Health Care. Essity is also the market leader in Europe and Latin America. Essity is the third largest player in North America and the fourth in Asia.

### Medical Solutions

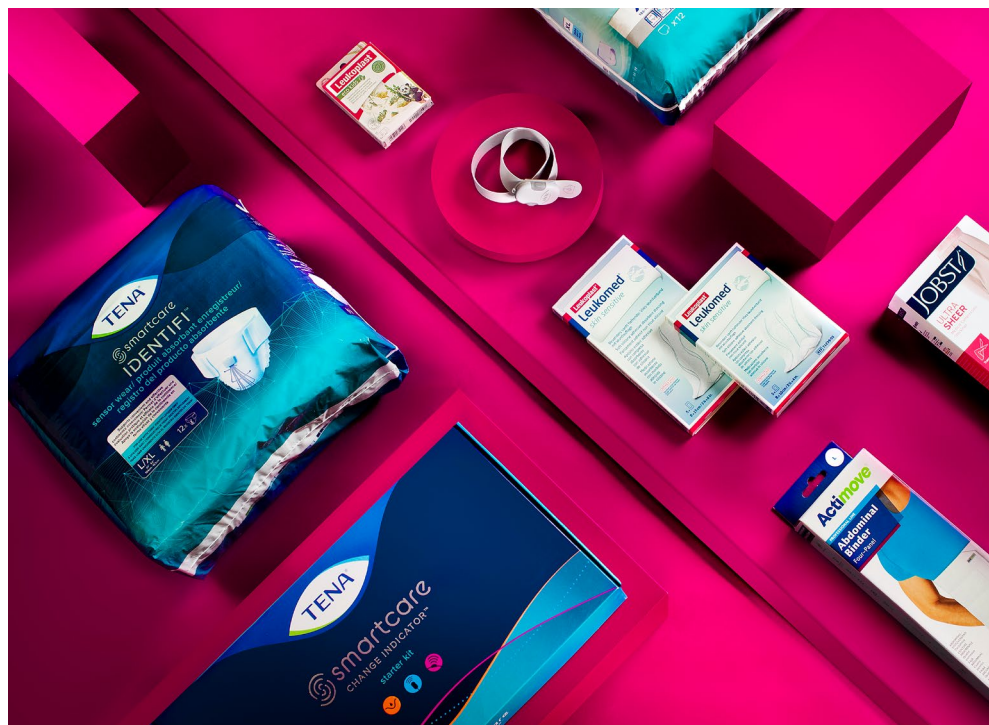
In the Medical Solutions category, Essity offers products and services in wound care, compression therapy and orthopedics. Essity is the world's fourth largest player and the market leader in Europe in Medical Solutions in the product categories in which the company is active.

#### Wound care

In acute wound care, plasters and bandages for minor wound care are offered primarily under the Leukoplast brand. In advanced wound care, bandages and digital services for more severe wounds, such as chronic wounds, post-operative wounds and pressure sores, are offered under the Cutimed and Sorbact brands. Essity is the fifth largest global player in wound care, a leading player in Europe and the second largest player globally in acute wound care.

#### Compression therapy

In compression therapy, compression garments are offered such as stockings and arm sleeves that can be used for medical and chronic conditions, during exercise or for longer trips to prevent swelling caused by the accumulation of fluid in the body. With the globally leading brand JOBST, Essity is the largest player in the world in compression therapy, holding the number one position in North American and the number two position in Europe.



## Orthopedics

Within orthopedics, solutions are offered for skeletal, muscular and joint injuries including casts, splints, athletic tape and leg and knee braces. Essity sells orthopedic products under the Delta-Cast and Actimove brands and is the third largest player globally.

## Earnings 2022

Net sales increased 16.4% to SEK 25,239m (21,685). Sales growth, including organic sales growth and acquisitions, amounted to 9.6%. Organic sales growth amounted to 7.3%, of

which volume accounted for 2.5% and price/mix for 4.8%. The organic sales growth amounted to 5.5% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 14.5%. Exchange rate effects increased net sales by 7.3%. Acquisitions increased net sales by 2.3%. Divestments reduced net sales by 0.5%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 7.1% due to higher volumes and higher prices. In Medical Solutions, organic sales growth amounted to 7.6%

as a result of higher volumes and higher prices. Sales growth was high in Wound Care and Orthopedics.

The adjusted gross margin decreased 5.4 percentage points to 36.9% (42.3). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes and higher prices. The adjusted EBITA margin decreased 6.1 percentage points to 11.5% (17.6). Sales costs, including marketing costs, were higher and increased as a share of net sales. Adjusted EBITA decreased 24% (32% excluding

currency translation effects, acquisitions and divestments) to SEK 2,903m (3,821).

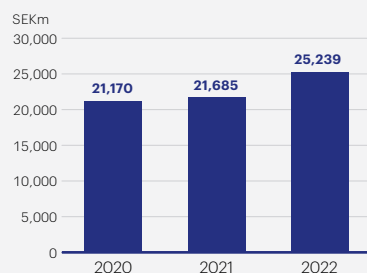
The operating cash surplus amounted to SEK 3,789m (4,629).

Visit [essity.com](https://essity.com) to see a web presentation of Health & Medical.

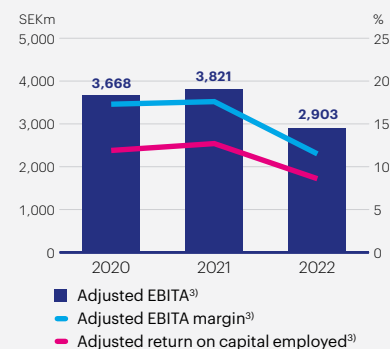
## Brands:



## Net sales



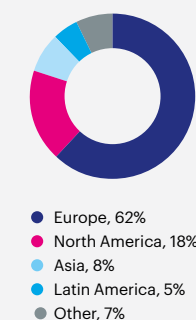
## Earnings trend



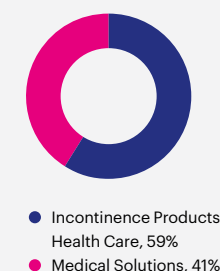
## Key figures

SEKm	2022	2021	%
Net sales	25,239	21,685	16
Sales growth <sup>1)</sup>	9.6	6.5	
Organic sales growth <sup>2)</sup> , %	7.3	5.4	
Adjusted gross margin <sup>3)</sup> , %	36.9	42.3	
Adjusted EBITA <sup>3)</sup>	2,903	3,821	-24
Adjusted EBITA margin <sup>3)</sup> , %	11.5	17.6	
Adjusted return on capital employed <sup>3)</sup> , %	8.6	12.7	
Operating cash flow	2,292	3,832	-40
Investments in non-current assets	-763	-761	0
Average number of employees	9,128	8,818	4

## Net sales by region



## Net sales by product category



1) Including organic sales growth and acquisitions.  
 2) Excluding exchange rate effects, acquisitions and divestments.  
 3) Excluding items affecting comparability.



# Consumer Goods

## Personal and home hygiene for all stages of life

### KEY FIGURES

94,841

Net sales, SEKm

17.5%

Sales growth<sup>1)</sup>

15.7%

Organic sales growth<sup>2)</sup>

7.6%

Adjusted EBITA margin<sup>3)</sup>

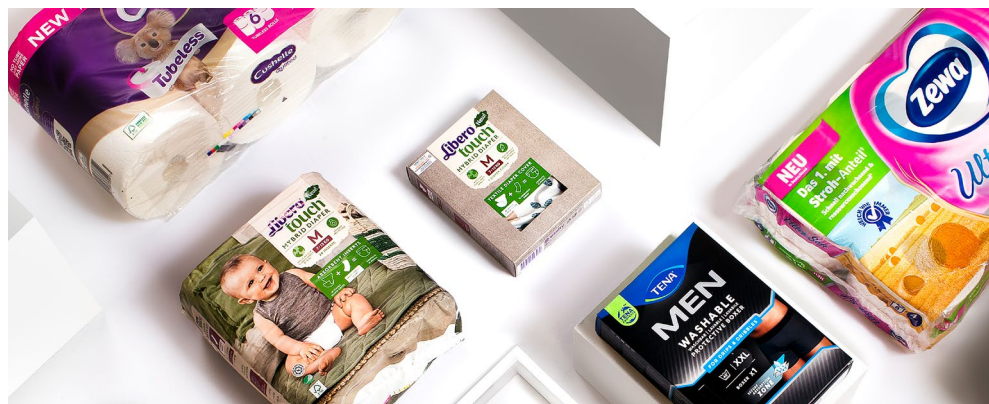
9.8%

Adjusted return on capital employed<sup>3)</sup>

1) Including organic sales growth and acquisitions.

2) Excluding exchange rate effects, acquisitions and divestments.

3) Excluding items affecting comparability.



The Consumer Goods business area includes the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue, which are sold via the retail trade and e-commerce sales.

### Incontinence Products Retail

In Incontinence Products Retail, with the globally leading brand TENA, Essity offers a broad range of incontinence products including Lights by TENA for light incontinence and TENA for Men, incontinence products specially designed for men. Essity also sells leakproof apparel under the TENA, TENA for Men, Knix and Modibodi brands. For the Knix and Modibodi brands, the majority of sales are “Direct-to-Consumer”. The TENA brand also has its own webshops developed to help our consumers with information about incontinence and the solutions available, and to order and have products delivered.

Essity is the second largest player globally in Incontinence Products Retail and the market leader in Europe and Latin America. In Asia, Essity is the third largest player and the fourth largest in North America.

### Baby Care

In Baby Care, Essity offers open baby diapers and pant diapers as well as baby care products such as wet wipes, shampoo, lotion and baby oil. In 2022, Essity launched a climate-smart diaper consisting of a washable cloth diaper and absorbent insert.

Essity is the fifth largest player globally with sales mainly in Europe and South East Asia. In Europe, Essity is the second largest player with the Libero and Lotus brands, as well as retailer brands. Essity’s strongest market is the Nordic region, where the Libero brand is the market leader. In South East Asia, Essity is active under the Drypers brand and is the market leader in Malaysia.

### Feminine Care

In Feminine Care, Essity offers a broad product portfolio that includes pads, panty liners, tampons, intimate soaps, intimate wipes, leakproof apparel and menstrual cups.

Essity is the fifth largest player globally with several strong regional brands supported by Essity’s global brand platform for shared innovation, marketing and consumer insights. In Europe, Essity is the third largest player with brands such as Libresse, Bodyform and Nana. Essity is the market leader in Latin America with the Saba and Nosotras brands. In Australia, Essity is the market leader with Libra, TOM Organic and Modibodi. Libresse is also the brand used for Feminine Care in Asia, where Essity – through its majority ownership in Vinda, is the tenth largest player. Through the acquisition of

**Intimate Hygiene** includes the categories Feminine Care and Incontinence Products Retail. The fastest growing product segment in Intimate Hygiene is leakproof apparel. Following the acquisitions of Knix and Modibodi in 2022, Essity is the global market leader within leakproof apparel<sup>1)</sup> with the goal of being the world’s fastest growing company in Intimate Hygiene.

Essity has also launched the Issviva brand, which is aimed at women experiencing menopause. Issviva is an innovative global e-commerce platform that provides knowledge and solutions for women experiencing menopause. Issviva’s product range consists of vitamins, minerals, supplements and intimate hygiene products that complement Essity’s existing incontinence and feminine care brands.

1) Estimate based on market data compiled by Essity.

Knix in 2022, Essity is also represented in Feminine Care in North America with the Knix brand.

### Consumer Tissue

In Consumer Tissue, Essity offers toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Essity is the world's third largest supplier of consumer tissue, with a presence primarily in Europe, Asia and Latin America. In Europe, Essity is the market leader with brands such as Lotus, Tempo, Zewa, Cushelle and Plenty, and under retailer brands. Essity is the market leader in China and Asia through its majority shareholding in Vinda with brands under the same name. In Latin America, Essity

is the third largest player with the Regio and Familia brands.

### Earnings 2022

Net sales increased 28.1% to SEK 94,841m (74,040). Sales growth, including organic sales growth and acquisitions, amounted to 17.5%. Organic sales growth amounted to 15.7%, of which volume accounted for 0.1% and price/mix for 15.6%. Organic sales growth amounted to 18.7% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 12.6%. Exchange rate effects increased net sales by 10.6%. Acquisitions increased net sales by 1.8%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 10.8%, in Feminine Care to 15.7% and in Baby Care to 1.0%. In Consumer Tissue, organic sales growth amounted to 19.1% and for the Consumer Tissue Private Label Europe division to 35.8%. Prices were higher in all categories. Baby Care was negatively impacted by the discontinuation of the baby diaper business in Latin America.

The adjusted gross margin decreased 4.4 percentage points to 22.6% (27.0). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes,

higher prices and a better mix. The adjusted EBITA margin decreased 3.1 percentage points to 7.6% (10.7). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 9% (20% excluding currency translation effects, acquisitions and divestments) to SEK 7,211m (7,938).

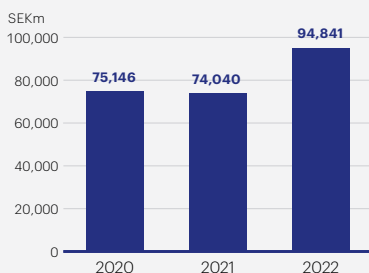
The operating cash surplus amounted to SEK 11,595m (11,632).

Visit [essity.com](https://essity.com) to see a web presentation of Consumer Goods

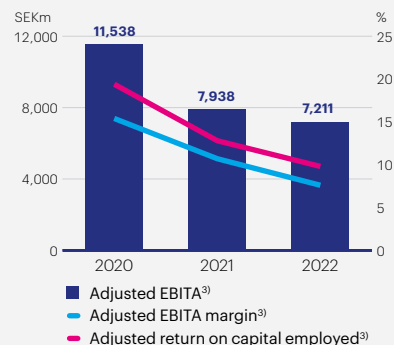
### Brands:



### Net sales



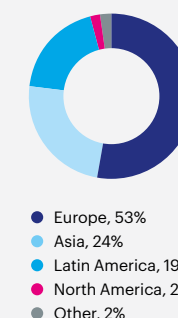
### Earnings trend



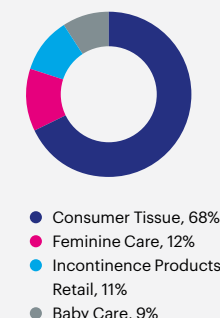
### Key figures

SEKm	2022	2021	%
Net sales	94,841	74,040	28
Sales growth <sup>1)</sup>	17.5	2.9	
Organic sales growth <sup>2)</sup> , %	15.7	1.8	
Adjusted gross margin <sup>3)</sup> , %	22.6	27.0	
Adjusted EBITA <sup>3)</sup>	7,211	7,938	-9
Adjusted EBITA margin <sup>3)</sup> , %	7.6	10.7	
Adjusted return on capital employed <sup>3)</sup> , %	9.8	12.8	
Operating cash flow	4,981	6,328	-21
Investments in non-current assets	-4,103	-4,581	-10
Average number of employees	31,727	30,897	3

### Net sales by region



### Net sales by product category



1) Including organic sales growth and acquisitions.  
2) Excluding exchange rate effects, acquisitions and divestments.  
3) Excluding items affecting comparability.

In Consumer Goods, 27% of total net sales was related to retailer brands. In Incontinence Products Retail 1%, Baby Care 46%, Feminine Care 6% and Consumer Tissue 32%. The Consumer Tissue Private Label Europe division accounts for 15% of Consumer Tissue.

# Professional Hygiene

## Hygiene management solutions for a broad set of commercial applications

### KEY FIGURES

36,114

Net sales, SEKm

25.0%

Sales growth<sup>1)</sup>

22.9%

Organic sales growth<sup>2)</sup>

11.1%

Adjusted EBITA margin<sup>3)</sup>

14.5%

Adjusted return on capital employed<sup>3)</sup>

1) Including organic sales growth and acquisitions.

2) Excluding exchange rate effects, acquisitions and divestments.

3) Excluding items affecting comparability.



The Professional Hygiene business area comprises the categories Tissue, Services & Solutions and Wiping & Cleaning as well as Soaps & Sanitizers that are sold to companies and office buildings, universities, healthcare facilities, industries, restaurants, hotels, stadiums and other public venues – direct to the end-customer, e-commerce or via distributors.

With the globally leading Tork brand, Essity is the world's largest supplier of hygiene solutions

in professional hygiene. Essity is the market leader in Europe and holds a market share that is nearly three times the size of the second largest player. In North America, Essity is the second largest player with a particularly strong market position in the food service segment, where we estimate that the company supplies approximately every second napkin. Essity is the third largest player in Asia, through its majority ownership in Vinda, and also holds the number three position in Latin America.

### Tissue, Services & Solutions

In Tissue, Services & Solutions, Essity offers toilet paper, paper hand towels, napkins, reusable

cloths, dispensers, service and maintenance, and digital solutions with sensor technology, such as Tork Vision Cleaning, data-driven cleaning.

### Wiping & Cleaning

In Wiping & Cleaning, Essity offers wipers and cloths for keeping surfaces clean and disinfected. In 2022, Essity acquired the US company Legacy Converting, Inc. to expand its range of Wiping & Cleaning solutions and further strengthen its presence in the North American market.



## Soaps & Sanitizers

In Soaps & Sanitizers, Essity offers soaps, lotions, sanitizers and dispensers. Good hand hygiene is the most effective way to prevent the spread of disease and infection. Through its Tork brand, Essity works to create awareness of the importance of hand hygiene through information campaigns and education. Our award-winning “Tork Virtual Reality Clean Hands” course is one example of how we provide inspiring training showing the correct hand washing and hand sanitation procedures for our customers in the healthcare sector.

## Earnings 2022

Net sales increased 38.1% to SEK 36,114m (26,143). Sales growth, including organic sales growth and acquisitions, amounted to 25.0%. Organic sales growth amounted to 22.9%, of which volume accounted for 5.8% and price/mix for 17.1%. Organic sales growth amounted to 25.6% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 13.2%. Exchange rate effects increased net sales by 13.1%. Acquisitions increased net sales by 2.1%.

The adjusted gross margin decreased 0.2 percentage points to 23.1% (23.3). Higher costs

for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher prices, a better mix and higher volumes. The adjusted EBITA margin increased 0.7 percentage points to 11.1% (10.4). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA increased 48% (33% excluding currency translation effects, acquisitions and divestments) to SEK 3,998m (2,710).

The operating cash surplus amounted to SEK 6,386m (4,782).

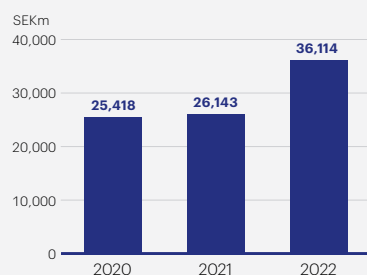
► Visit [essity.com](https://essity.com) to see a web presentation of Professional Hygiene.

## Brand:

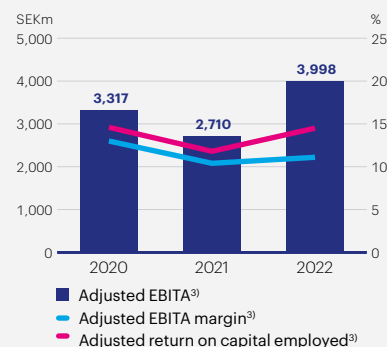


Think ahead.

## Net sales



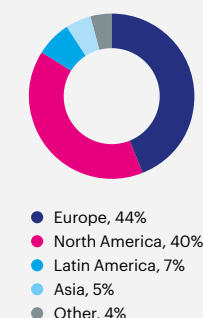
## Earnings trend



## Key figures

SEKm	2022	2021	%
Net sales	36,114	26,143	38
Sales growth <sup>1)</sup>	25.0	7.5	
Organic sales growth <sup>2)</sup> , %	22.9	5.7	
Adjusted gross margin <sup>3)</sup> , %	23.1	23.3	
Adjusted EBITA <sup>3)</sup>	3,998	2,710	48
Adjusted EBITA margin <sup>3)</sup> , %	11.1	10.4	
Adjusted return on capital employed <sup>3)</sup> , %	14.5	11.8	
Operating cash flow	3,397	2,512	35
Investments in non-current assets	-1,213	-941	29
Average number of employees	7,720	7,413	4

## Net sales by region



1) Including organic sales growth and acquisitions.  
 2) Excluding exchange rate effects, acquisitions and divestments.  
 3) Excluding items affecting comparability.

# Operations and structure

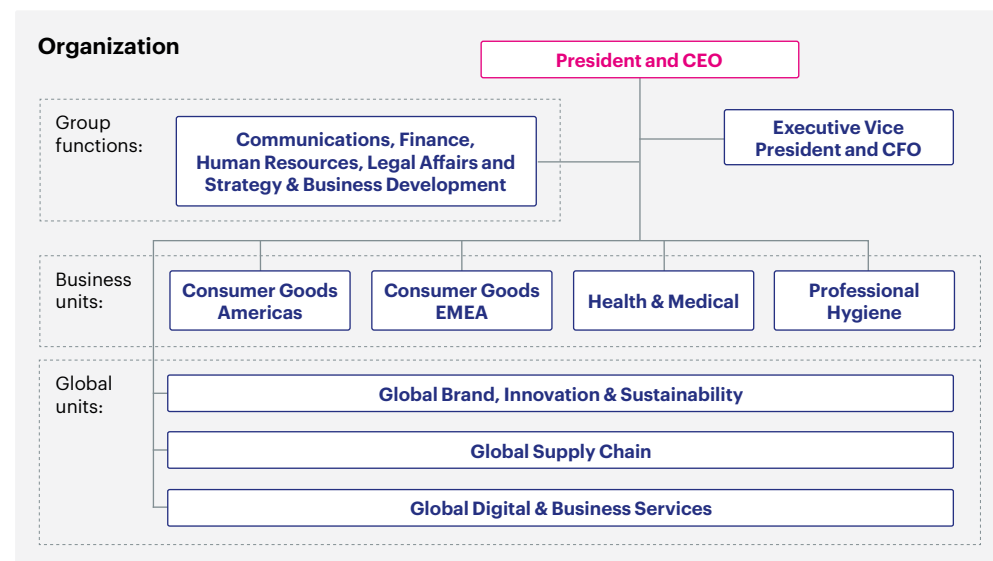
Essity reports its operations in the following three business areas as of January 1, 2022: Health & Medical, Consumer Goods and Professional Hygiene. Health & Medical comprises the categories Incontinence Products Health Care and Medical Solutions. The offering includes incontinence products, wound care, compression therapy, orthopedics, skincare products and digital solutions with sensor technology. Consumer Goods includes the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue. The offering includes incontinence products, pads, diapers, wet wipes, skin cream, intimate soaps, leakproof apparel, menstrual cups, toilet paper, household towels, handkerchiefs, facial tissues and napkins. Professional Hygiene comprises the categories Tissue, Services & Solutions, Wiping & Cleaning and Soaps & Sanitizers. The offering includes toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, and cleaning and wiping products.

Europe is Essity's largest market. The Group also holds strong positions in North America, Latin America and Asia. Expansion takes place through organic growth and acquisitions.

## Organization

Essity's organization as of December 31, 2022 is as follows:

- Consumer Goods Americas, which markets and sells products in the categories of consumer tissue, baby care, feminine care and incontinence products retail in Latin America and North America.
- Consumer Goods EMEA, which markets and sells products in the categories of consumer tissue, baby care, feminine care and incontinence products retail in Europe, the Middle East and Africa.
- Health & Medical, which markets and sells products in the category of incontinence products health care in Europe, North America, the Middle East and Africa, and markets and sells products in the category of medical



solutions in Asia, Oceania, Europe, North America, Latin America, the Middle East and Africa.

- Professional Hygiene, which markets and sells complete hygiene solutions as well as service and maintenance in Europe, North America, Latin America, the Middle East and Africa.

Essity markets and sells products primarily in professional hygiene as well as the categories of incontinence products and feminine care in Australasia (Australia, New Zealand and some of the Pacific Islands). The business is being operated as an independent unit under the name Essity AustralAsia.

The financial reporting of these four business units and Essity AustralAsia is presented under the respective business areas in the company's external financial reporting.

In addition to the business units, Essity has established three global units:

- Global Brand, Innovation & Sustainability has global responsibility for customer and consumer brands, innovation and sustainability and public affairs.
- Global Supply Chain has global responsibility for sourcing, production, technology, logistics and distribution in relation to all product categories with the exception of Medical Solutions.
- Global Digital & Business Services has global responsibility for business services, IT and digitalization.

Essity has five Group functions:

- Communications
- Finance
- Human Resources
- Legal Affairs
- Strategy & Business Development



Essity exerts an influence on the Group company Vinda, a listed Asian hygiene company in which Essity is a majority shareholder, through board representation.

### Events during the year

Knix and Modibodi were acquired during the year, two leading companies in leakproof apparel, which is the fastest growing product segment in Intimate Hygiene. Through the acquisitions, Essity is the global market leader within leakproof apparel<sup>1)</sup> with the goal of being the world's fastest growing company in Intimate Hygiene.

In line with Essity's strategy to grow in wiping and cleaning products in Professional Hygiene, the US company Legacy Converting, Inc. was acquired.

Essity has made significant price increases in all business areas in order to manage high cost inflation.

Essity introduced a new Group organization as of December 31, 2022 entailing that the company has four business units aligned with the company's business areas. These four business units are Consumer Goods Americas, Consumer Goods EMEA, Professional Hygiene and Health & Medical. In parallel, the Global Digital & Business Services unit was established.

As a consequence of the war in Ukraine, work is ongoing to exit the Russian market and Essity's assets in Russia have been impaired by approximately SEK 1.7bn.

# Acquisitions, investments and divestments



### Acquisition of Legacy Converting, Inc. – a company in wiping and cleaning products

On February 2, 2022, Essity announced that the company had acquired Legacy Converting, Inc., a USA-based professional wiping and cleaning company. The company offers products within the categories of sanitizing and disinfecting wet-wipes, napkins, chemical-ready wipes and dry wipes. The purchase price amounted to USD 40m (approximately SEK 370m) with a potential additional earn-out amount of USD 10m (approximately SEK 90m) on a cash and debt-free basis.

### Acquisition of Modibodi – a leading leakproof apparel company

On July 7, 2022, Essity announced that the company has acquired the Australian company Modibodi, a leading leakproof apparel company in Australia, New Zealand and the UK. The purchase price amounted to AUD 140m (approximately SEK 1bn) on a cash and debt-free basis. Through the acquisition, Essity is strengthening its position within leakproof apparel, the fastest growing product segment in Intimate Hygiene which includes Feminine Care and Incontinence Products. Modibodi was consolidated in Essity's consolidated financial statements from August 1, 2022. In 2021, the company reported net sales of AUD 56.7m (approximately SEK 365m) and sales growth of 18%. EBITDA amounted to AUD 5.7m (approximately SEK 36m) and EBITA to AUD 5.6m (approximately SEK 36m). The gross margin was high and the EBITA margin amounted to 9.8%.



### Essity acquires Knix and becomes world-leader in leakproof apparel

On July 8, 2022, Essity announced that the company had acquired 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The purchase price amounted to USD 320m (approximately SEK 3.5bn) on a cash and debt-free basis for 80% of the company. Through this acquisition, Essity is the global market leader in leakproof apparel<sup>1)</sup>, the fastest growing product segment in Intimate Hygiene, which includes Feminine Care and Incontinence Products. Knix was consolidated in Essity's consolidated financial statements from September 1, 2022. In 2021, the company reported net sales of CAD 133.6m (approximately SEK 914m) and sales growth of 97%. EBITDA amounted to CAD 13.8m (approximately SEK 95m) and EBITA to CAD 13.4m (approximately SEK 92m). The gross margin was high and the EBITA margin amounted to 10.0%.

1) Estimate based on market data compiled by Essity.



# Other Group information

## Parent Company

The Group's Parent company, Essity Aktiebolag (publ), is a holding company with the main task of owning and managing shares in a number of business group companies and performing Group-wide management and administrative functions. The company's corporate registration number is 556325-5511 and it is domiciled in Stockholm, Sweden. The company's address is PO Box 200, SE-101 23 Stockholm. In 2022, the Parent company recognized operating income of SEK 237m (312) and a loss before appropriations and tax of SEK -2,712m (profit: 2,280). Investments in property, plant and equipment totaled SEK 1m (1) during the year. Cash and cash equivalents at year-end amounted to SEK 0m (0).

## Research and development (R&D)

Research and development (R&D) costs during the year amounted to SEK -1,631m (-1,471), corresponding to about 1.0% of consolidated net sales. R&D is coordinated and conducted from a global perspective. Product development is carried out in close cooperation with the local units, as well as through direct collaboration with customers.

## Holdings of treasury shares

Essity Aktiebolag (publ) holds no treasury shares.

## Share distribution

In 2022, 206,154 Class A shares were converted to Class B shares. The proportion of Class A shares was 8.7% at year-end.

## Dividend

The Board of Directors proposes an increase in the dividend of 4% to SEK 7.25 (7.00) per share or SEK 5,092m (4,916). The record date for entitlement to receive dividends is proposed as March 31, 2023 and payment is expected to be made on April 5, 2023. The Board is of the opinion that the company's and the Group's equity after the proposed dividend is sufficiently high in relation to the nature, scope and risks of the operations, solvency requirements, liquidity and financial position and provides scope for the company and the Group to fulfill its obligations and conduct desirable investments.

## Sustainability report

Essity's statutory sustainability report, in accordance with the requirements of the Swedish Annual Accounts Act, can be found on pages

40–48, 50–61 and 138–147 in the Board of Directors' Report. The company's business model can be found on page 15. This sustainability report for Essity Aktiebolag (publ) encompasses the entire Group. Further information on the reporting principles for sustainability can be found in Note H1, page 138.

## Guidelines for remuneration of senior executives

The most recent guidelines approved by the Annual General Meeting may be found under Note C2 on pages 99–101. The company's application of the guidelines can be found in the remuneration report on pages 157–158 and in Note C2.

For information on the company's calculated expenses for remuneration of senior executives, see Note C2 on pages 99–101.



# Net sales and earnings

## Net sales

Net sales increased 28.2% compared with the corresponding period a year ago to SEK 156,173m (121,867). Sales growth, including organic sales growth and acquisitions, amounted to 17.7%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 15.7%, of which volume accounted for 1.7% and price/mix for 14.0%. Organic sales growth in mature markets amounted to 17.5% and in emerging markets to 12.8%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 10.6%. Acquisitions increased net sales by 2.0%. Divestments reduced net sales by 0.1%.

## Earnings

The Group's gross margin was 23.8% (28.8). The Group's adjusted gross margin decreased by 3.8 percentage points year on year to 25.1%

(28.9). Higher costs for raw materials, energy and distribution reduced the margin by 11.7 percentage points. The margin was positively impacted by higher selling prices, higher volumes and a better mix. Continuous cost savings amounted to SEK -956m. Higher cost inflation had a negative impact on reported cost savings.

The Group's EBITA margin was 7.0% (11.5). The Group's adjusted EBITA margin decreased 2.8 percentage points to 8.4% (11.2). Sales costs, including marketing costs, were higher but decreased as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) amounted to SEK 10,887m (14,051). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 5% (16% excluding currency translation effects, acquisitions and divestments) to SEK 13,058m (13,680).

Items affecting comparability amounted to SEK -2,463m (371). Costs were mainly attributable to the impairment of assets in Russia of SEK -1,718m. Restructuring costs amounted to SEK -592m. Other amounted to SEK -153m.

Financial items increased to SEK -1,370m (-662), on account of higher average net debt and higher interest rates.

Profit before tax amounted to SEK 8,109m (12,537). Adjusted profit before tax decreased 13% (24% excluding currency translation effects, acquisitions and divestments) to SEK 10,572m (12,116).

The tax expense was SEK 2,045m (2,727). The tax expense, excluding effects of items affecting comparability, was SEK 2,245m (2,803).

Profit for the period decreased 38% (49% excluding currency translation effects, acquisitions and divestments) to SEK 6,064m (9,810). Adjusted profit for the period decreased 11% (22% excluding currency translation effects,

acquisitions and divestments) to SEK 8,327m (9,363).

Earnings per share were SEK 7.93 (12.27). The adjusted earnings per share were SEK 12.28 (12.50).

## Key figures

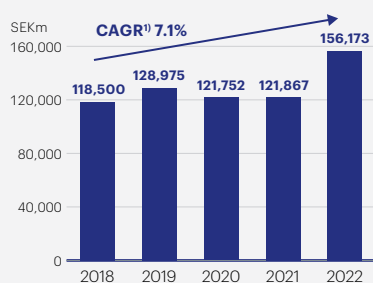
Return on capital employed was 8.1% (12.3). The adjusted return on capital employed<sup>1)</sup> was 9.7% (12.0). Return on equity was 8.1% (15.0). The adjusted return on equity<sup>1)</sup> was 11.1% (14.3).

## Summary income statement

SEKm	2022	2021	2020
<b>Net sales</b>	<b>156,173</b>	<b>121,867</b>	<b>121,752</b>
<b>Adjusted EBITA<sup>1)</sup></b>	<b>13,058</b>	<b>13,680</b>	<b>17,626</b>
<b>EBITA</b>	<b>10,887</b>	<b>14,051</b>	<b>17,567</b>
<b>Adjusted operating profit<sup>1)</sup></b>	<b>11,942</b>	<b>12,828</b>	<b>16,817</b>
Items affecting comparability	-2,463	371	-59
<b>Operating profit</b>	<b>9,479</b>	<b>13,199</b>	<b>16,758</b>
Financial items	-1,370	-662	-958
<b>Adjusted profit before tax<sup>1)</sup></b>	<b>10,572</b>	<b>12,166</b>	<b>15,859</b>
<b>Profit before tax</b>	<b>8,109</b>	<b>12,537</b>	<b>15,800</b>
Adjusted tax <sup>1)</sup>	-2,245	-2,803	-4,054
Tax	-2,045	-2,727	-4,053
<b>Adjusted profit for the period<sup>1)</sup></b>	<b>8,327</b>	<b>9,363</b>	<b>11,805</b>
<b>Profit for the period</b>	<b>6,064</b>	<b>9,810</b>	<b>11,747</b>

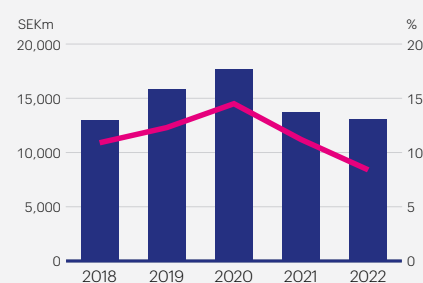
1) Excluding items affecting comparability.

## Net sales



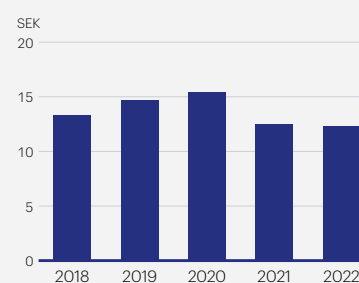
1) Compound Annual Growth Rate.

## Adjusted EBITA<sup>1)</sup> and adjusted EBITA margin<sup>1)</sup>



1) Excluding items affecting comparability.

## Adjusted earnings per share<sup>1)</sup>



1) Excluding items affecting comparability and amortization of acquisition-related intangible assets.

# Cash flow and financing

The operating cash surplus amounted to SEK 20,974m (20,471). The cash flow effect of changes in working capital was SEK -3,684m (-844). Working capital was negatively impacted by an increase in trade receivables as a result of higher sales and increased inventory value due to higher raw material prices. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -6,875m (-7,304). Operating cash flow before investments in operating assets through leases amounted to SEK 9,714m (11,598). Operating cash flow was SEK 9,167m (11,118).

Financial items increased to SEK -1,370m (-662), on account of higher average net debt and higher interest rates.

Tax payments had an impact on cash flow of SEK -2,426m (-3,634).

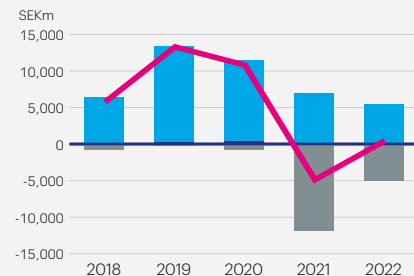
The net sum of acquisitions and divestments was SEK -4,955m (-11,800). Net cash flow totaled SEK -4,852m (-10,193).

Net debt increased by SEK 7,436m during the period to SEK 62,869m. Excluding pension liabilities, net debt amounted to SEK 62,163m. Net cash flow increased net debt by SEK 4,852m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt by SEK 2,281m. Exchange rate movements increased net debt by SEK 4,303m. Investments in non-operating assets through leases increased net debt by SEK 562m. The debt/equity ratio was 0.82 (0.81). Excluding pension liabilities, the debt/equity ratio was 0.81 (0.77). The debt payment capacity was 26% (29). Net debt in relation to EBITDA amounted to 3.13 (2.69). Net debt in relation to adjusted EBITDA amounted to 3.08 (2.77).

## Operating cash flow statement

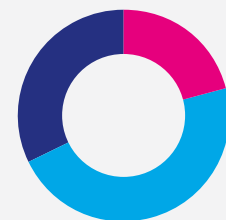
SEKm	2022	2021	2020
Operating cash surplus	20,974	20,471	24,653
Change in working capital	-3,684	-844	-810
Investments in non-current assets, net	-6,875	-7,304	-6,439
Restructuring costs, etc.	-701	-725	-977
<b>Operating cash flow before investments in operating assets through leases</b>	<b>9,714</b>	<b>11,598</b>	<b>16,427</b>
Investments in operating assets through leases	-547	-480	-409
<b>Operating cash flow</b>	<b>9,167</b>	<b>11,118</b>	<b>16,018</b>
Financial items	-1,370	-662	-958
Income taxes paid	-2,426	-3,634	-3,917
Other	9	72	32
<b>Cash flow from current operations</b>	<b>5,380</b>	<b>6,894</b>	<b>11,175</b>
Acquisitions of Group companies and other operations	-4,955	-11,813	-747
Divestments of Group companies and other operations	0	13	367
<b>Cash flow before transactions with shareholders</b>	<b>425</b>	<b>-4,906</b>	<b>10,795</b>
Private placement to non-controlling interests	35	25	64
Dividend to non-controlling interests	-396	-571	-423
Dividend	-4,916	-4,741	-4,390
<b>Net cash flow</b>	<b>-4,852</b>	<b>-10,193</b>	<b>6,046</b>

### The Group's cash flow



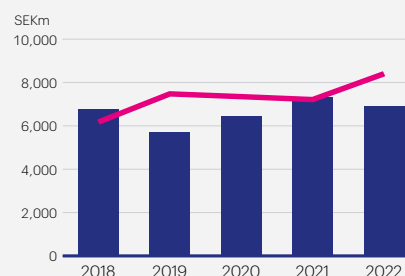
■ Divestments  
■ Cash flow from current operations  
■ Company acquisitions  
— Cash flow before dividend

### Operating cash flow, share of Group



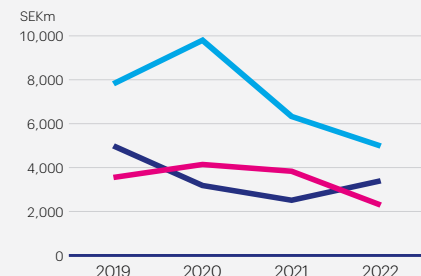
● Health & Medical, 21%  
● Consumer Goods, 47%  
● Professional Hygiene, 32%

### Investments in non-current assets



■ Investments in non-current assets, net  
— Depreciation and amortization

### Operating cash flow by business area



— Health & Medical  
— Consumer Goods  
— Professional Hygiene



# Financial position

## Assets and capital employed

The Group's total assets increased 20% compared with the preceding year, amounting to SEK 210,600m (175,050). Non-current assets increased SEK 15,533m compared with the preceding year to SEK 139,580m (124,047), of which property, plant and equipment amounted to SEK 62,898m (58,918) and intangible assets to SEK 70,132m (59,609). Current assets totaled SEK 71,020m (51,003). Working capital amounted to SEK 14,033m (11,157). Capital employed was 13% higher and totaled SEK 139,433m (123,940).

## Equity

The Group's equity increased by SEK 8,057m during the period, to SEK 76,564m (68,507). Profit for the period increased equity by SEK 6,064m. Equity decreased due to dividends to shareholders of SEK 5,314m. Equity increased net after tax by SEK 1,637m as a result of fair value measurement of pension assets and

updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments decreased equity by SEK 1,455m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 7,093m. Other items increased equity by SEK 32m.

## Financing

The Group's interest-bearing gross debt amounted to SEK 67,232m (54,419) at year-end. The average maturity period was 3.9 (4.1) years.

Net debt increased by SEK 7,436m during the year to SEK 62,869m. Excluding pension liabilities, net debt amounted to SEK 62,163m. Net cash flow increased net debt by SEK 4,852m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt by SEK

2,281m. Exchange rate movements increased net debt by SEK 4,303m. Investments in non-operating assets through leases increased net debt by SEK 562m.

## Key figures

The debt/equity ratio was 0.82 (0.81). Excluding pension liabilities, the debt/equity ratio was 0.81 (0.77). The visible equity/assets ratio was 32% (34). Return on capital employed was 8.1% (12.3). The adjusted return on capital employed was 9.7% (12.0). Return on equity was 8.1% (15.0). The adjusted return on equity was 11.1% (14.3). The capital turnover rate was 1.2 (1.1). At year-end, working capital amounted to 9% (9) of net sales.

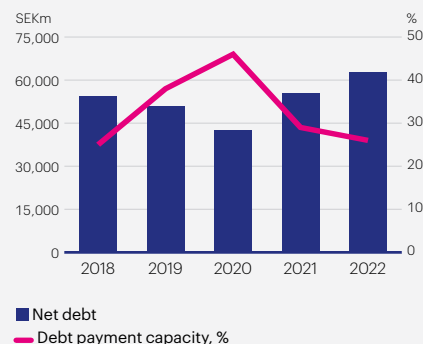
## Consolidated capital employed by currency, SEKm

	2022	%	2021	%	2020	%
EUR	48,549	35	46,001	37	43,218	41
USD	23,455	18	20,211	16	17,458	16
CNY	22,193	17	19,904	16	17,750	17
MXN	8,504	6	5,988	5	5,519	5
GBP	6,051	5	5,843	5	4,794	5
Other	24,691	19	25,993	21	17,291	16
<b>Total</b>	<b>133,442</b>	<b>100</b>	<b>123,940</b>	<b>100</b>	<b>106,030</b>	<b>100</b>

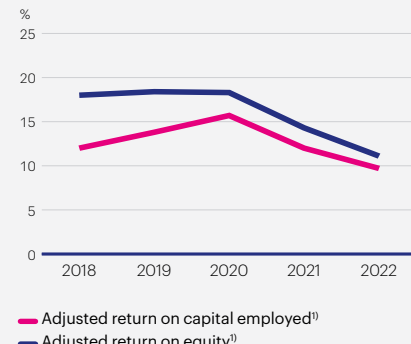
## Consolidated balance sheet

SEKm	2022	2021	2020
Intangible assets	70,132	59,609	50,898
Property, plant and equipment	62,898	58,918	53,631
Other non-current assets	6,550	5,520	7,000
<b>Total non-current assets</b>	<b>139,580</b>	<b>124,047</b>	<b>111,529</b>
Current assets	71,020	51,003	43,116
<b>Total assets</b>	<b>210,600</b>	<b>175,050</b>	<b>154,645</b>
Equity	76,564	68,507	63,342
Non-current liabilities	71,318	59,648	50,230
Current liabilities	62,718	46,895	41,073
<b>Total equity and liabilities</b>	<b>210,600</b>	<b>175,050</b>	<b>154,645</b>
Working capital	14,033	11,157	7,146
Capital employed	139,433	123,940	106,030
Net debt	62,869	55,433	42,688

## Net debt and debt payment capacity

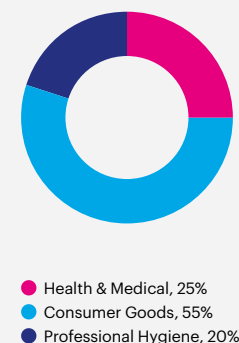


## Adjusted return on capital employed and equity<sup>1)</sup>



1) Excluding items affecting comparability.

## Capital employed, share of Group



# Risks and risk management

Essity is exposed to a number of strategic, operational and financial business risks, which could have a negative impact on the Group's operations. Accordingly, it is of major importance that the company has a systematic and effective process to identify, manage and mitigate the effects of these risks.

## Processes for risk management

The responsibility for the management of business risks follows the company's delegation scheme, from the Board of Directors to the President, and from the President to each Business Unit President. The delegation scheme involves business risks being managed primarily by Essity's business units with clear central coordination and follow-up. Responsibility for certain specific risks, such as financial risks, insurable operational risks, information security, and ethics and human rights, is managed centrally.

Essity's financial risk management is centralized. The Group's internal bank handles financial risks and energy risks. The financial risks are managed in accordance with the Group's Finance Policy, which is adopted by Essity's Board of Directors. Together with Essity's Energy Risk Policy, the Finance Policy constitutes

a framework for financial risk management.

The financial risks are compiled and continuously monitored. Responsibility for insurable operational risks is managed by the Group's insurance department.

Identification of business risks and risk management are a key part of the annual strategy process. Identified risks are assessed according to the likelihood of these becoming a reality and the potential impact each risk could have on the Group. This process also includes specifying who is responsible for managing the respective risk, and measures for how these shall be mitigated and followed up. Development of the identified risks is monitored and assessed on an ongoing basis.

Essity has an internal audit function, which ensures that the organization complies with the adopted policies.

Based on current knowledge, the following are deemed to be the main factors that risk materially negatively impacting the operations and Essity's ability to achieve established targets:

## GDP trend and economic conditions

### Risk

Demand for Essity's products is affected by general macroeconomic fluctuations and the resulting changes to customer purchasing power and consumption patterns. For example, a tighter budget situation in the public sector or among business customers influences sales in the healthcare sector and business-to-business, respectively. Sales to the retail sector, which accounts for the bulk of sales of hygiene products, may also be affected by reduced purchasing power among consumers.

### Action

Essity continuously works to manage the effect of cyclical fluctuations that arise, for example, through measures to reduce costs, increase efficiency and to create higher customer value through product innovations. Essity also works on differentiation to move toward product areas that are less sensitive to economic fluctuations.

## Environmental impact and climate change

### Risk

Essity's operations and the products used in the manufacturing process have an impact on air, water, land, biodiversity and the climate. Essity is subject to extensive environmental regulations. More stringent environmental requirements, remediation of the environment in connection with plant closures or breaches of permits could incur higher costs.

► Read more about these risks on pages 46–48 and 56–60.

### Action

Essity's strategy and sustainability targets stipulate guidelines for the Group's measures within the environmental area. Environmental impact and the impact of climate change are part of the annual strategy process, which includes the identification, assessment and actions for managing these types of risks. Risks are managed, for example, through preventive work in the form of certified environmental management systems, environmental risk inspections in conjunction with acquisitions, and remediation projects in connection with plant closures. Essity has integrated a risk assessment of biodiversity into its risk management process. The use of energy, water, transport, production waste and raw materials is controlled using the company's Resource Management System (RMS). The system also enables the simulation of investments on the basis of climate aspects. The data is used for internal control and follow-up of established targets. Essity also works continuously to reduce the volume of production waste.

► Read more about Essity's actions on pages 46–48 and 56–60.

## Global health risks

### Risk

Extensive outbreaks of disease entail risks for Essity's operations, not least in terms of the risks posed to our employees' health and safety and their ability to carry out their work. Lockdowns, more stringent border security measures or other restrictions may cause disruptions at our production facilities or in the supply chain. More extensive outbreaks of disease may also result in a temporary fall in demand for some of our products and changed consumer behavior.

### Action

In connection with extensive outbreaks of disease, the highest priority is to take action to safeguard the health of employees. Essity takes a series of measures adapted to the local operations to reduce the risk of infection. Where necessary, the company also modifies its solutions for sourcing of raw materials, storage and logistics, and has increased digital interaction.

## Changes in demographics, consumer behavior and preferences

### Risk

Changing demographics, consumer behavior and preferences alter demand from customers and consumers. There is a risk of a decline in demand for our products if we do not successfully satisfy customer and consumer needs and adapt our innovation program, product portfolio, sales channels, brand-building activities and communication accordingly.

### Action

Customer and consumer insight constitute the core of Essity's innovation work. Through knowledge about people's daily needs and challenges, we create an offering that improves quality of life for users. We continuously analyze customer and consumer data and listen to consumers, customers, experts and opinion formers to improve our offering.

## Political decisions and regulatory measures

### Risk

Essity conducts operations in many different countries. In some countries, the institutional structures are more established and developed, while the political, financial, legal and regulatory systems in other countries are less predictable. In both cases, political changes and decisions, as well as amended legislation and regulations could have a negative impact on Essity's operations in the form of higher costs or some other obstruction. In general, the regulatory requirements imposed on Essity's operations, products and services are intensifying.

### Action

Essity works continuously to monitor, evaluate and anticipate changes in its business environment in the form of political decisions and amended regulations in the areas that are of importance for the business.

Essity participates in various national and international industry organizations, as well as in other types of partnerships. The aim is to gain early knowledge of, and to contribute actively with expertise and solutions to, the development of areas of significance to our operations. The public sector is both a significant customer and an important stakeholder group for Essity. The company is therefore working actively on matters relating to health and medical care, as well as care for the elderly.

## Geopolitical risks

### Risk

A series of geopolitical events and developments risk impacting Essity's business. The risk of political or military conflicts within or between states, trade disputes or other significant changes to international relations, as well as terrorist acts are examples of events that risk negatively impacting Essity's business in various ways.

### Action

Essity continuously monitors and assesses political developments in the countries and regions where Essity has operations. A geopolitical risk assessment also constitutes part of the annual strategy process. When there is reason to do so, surveillance is extended and it is determined which measures Essity can take to limit the impact on the Group.



## Competition

### Risk

Essity is subject to considerable competition from other industry players offering similar products. Essity is also exposed to the risk that alternative products, solutions or business models that meet customer or consumer needs may replace Essity's offering, which risks jeopardizing the company's position in the market.

### Action

Essity's focus on customer and consumer insight guides its innovation activities, ensuring that new products and services are attractive and competitive. Essity develops the company's offering to meet the needs of customers and consumers in terms of the products themselves, and to ensure that they are provided in the relevant sales channels.

► Read more about innovation on page 17.

## Dependence on major customers and sales channels

### Risk

Essity's products are sold through retailers, pharmacies, e-commerce, distributors and resellers. Retail represents the single largest customer category. If these players are not successful in selling Essity's products, this could have a negative impact on Essity's earnings. In general, there is a consolidation trend in several of Essity's sales channels and markets, particularly in the retail trade, through mergers and purchasing alliances, which could increase dependence on individual, large customers.

### Action

Essity's customer structure is relatively dispersed, with customers in many different geographies and areas of business. In 2022, Essity's ten largest customers, most of them retail companies and distributors, accounted for 20.8% of net sales. The company works to maintain strong long-term customer relationships in strategic customer segments, and to build relationships with new customers. Essity is participating by increasing the share of e-commerce and also by aligning to the new and changing purchasing patterns.

## Production facilities

### Risk

Essity has around 90 production facilities in some 30 countries. Fires, machinery breakdowns and other types of harmful incidents in plants could lead to considerable value destruction, and loss of production and income, which ultimately, could have a negative impact on Essity's market position.

### Action

Essity strives to create and maintain a balance between loss-prevention activities and insurance coverage. Essity invests continuously in loss-prevention measures. These efforts are conducted in accordance with established guidelines that include repeated risk inspections carried out by external risk engineers. Other important elements of loss-prevention activities are maintenance of production plants and machinery, staff training, and orderliness. All wholly owned facilities are insured at replacement cost and for the loss of income. Within the EU, insurance is primarily conducted within the company's own insurance company, with external reinsurance for major damages. Outside the EU, Essity cooperates with market-leading insurance companies.

## Unethical business practices

### Risk

Essity works in a large number of countries and in environments where unethical business practices and violations of human rights may occur. The risk of such business practices is deemed to be very serious. The financial consequences of violations may be very severe in the form of various sanctions and fines. Violations also risk having a negative impact on the company's reputation.

### Action

Essity has a program for regulatory compliance, which aims to minimize the risk of Essity taking part in or being associated with unlawful or unethical business practices or committing violations of human rights. The program is based on a Code of Conduct adopted by the Board of Directors. Within certain areas, such as corruption and competition regulations, Essity has an in-depth program for risk evaluations, audits of third parties and various training courses for employees. The implementation of the regulatory compliance program is reported continuously to the Compliance Council, which includes parts of the Essity management team and where internal audit has an opportunity to take part in work.

## Employees

### Risk

To meet its targets, Essity is dependent on being able to recruit, retain and develop qualified and motivated employees. There is high competition for skilled employees.

### Action

Through annual staffing, competency and succession planning, Essity ensures that employees are recruited and that these remain with the company and develop the right skills. Essity continuously strives to build a reputation for the company as an attractive employer, highlighting health and safety in the workplace, health promotion, market-based and competitive forms of employment, continuous learning and the possibility to take on new challenges in the Group. A modern and attractive corporate culture also plays a highly significant role in the recruitment of employees.

► Read more about Essity's actions on pages 23 and 51–55.

## Legal risks

### Risk

Legal risks comprise various risks in, to some extent, diverse areas. Amended legislation, violations of laws in the operations or errors in any agreements signed by Essity, are examples of legal risks that could have negative financial implications for Essity. In certain instances, they may also entail protracted and costly legal processes.

## Suppliers

### Risk

Essity is dependent on a large number of suppliers. A sudden loss of key input goods could result in increased costs and disruptions to the company's production. Suppliers could also cause problems for Essity through non-compliance with applicable legislation and guidelines or by otherwise acting in an unethical manner.

### Action

Essity enters into supply contracts of various durations that ensure the supply of key input goods. The Group has several suppliers for essentially all important input goods. In-depth collaboration also occurs with specially selected suppliers in the development of materials and processes. Essity continuously evaluates its suppliers to ensure compliance with agreements entered into. Particular importance is placed on suppliers operating in countries and industries deemed to be more vulnerable to risks. Key suppliers are assessed through questionnaires, on-site visits or independent audits.

### Action

Essity constantly monitors developments in a number of areas and addresses any legal risks that arise in cooperation with external advisers. Legal issues are often national, which means that local experts are also often engaged by Essity in various issues.

## Information and IT

### Risk

Essity is dependent on IT systems and information security. Disruptions or faults in critical systems, as well as the increasing prevalence of cyber-attacks, may have a direct impact on production and other important business processes. Errors in financial systems may affect the company's reporting of results.

### Action

Essity has a management model for IT that contains governance, standardized processes and an organization for information security. Actions within the areas of information and cyber security are carried out on the basis of continuous risk assessments. Technical protection, such as preventive, detective, responsive and restorative measures are implemented, in addition to regular security training courses for each employee. Standardized procedures are in place for implementing and changing systems and IT services, as well as for daily operations. The head of Global Digital & Business Services, who is a member of the company's Executive Management Team, is responsible for managing IT and information security-related risks.

## Energy price

### Risk

Energy price risk is the risk that increased energy prices could adversely impact Essity's operating profit. Essity is exposed to movements in the prices of electricity and natural gas, but the prices of other energy commodities also directly and indirectly impact Essity's operating profit.

### Action

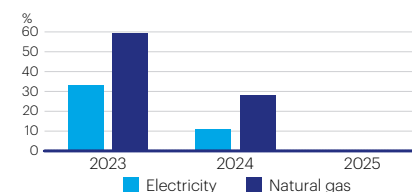
Essity manages the energy price risk related to electricity and natural gas centrally. According to Essity's Energy Risk Policy, these price risks can be hedged for a period of up to 36 months. Exceptions are made for regulated and non-hedgeable markets. Energy prices are hedged through financial instruments and, in part, through fixed pricing in existing supply contracts.

Essity safeguards the supply of electricity and natural gas through centrally negotiated supply contracts. The portfolio of supply contracts and financial hedges is effectively spread to minimize Essity's counterparty risk. In 2022, Essity purchased about 5 TWh (5; 5) of electricity and about 7 TWh (7; 7) of natural gas.

The graph shows Essity's price hedges in relation to forecast consumption of electricity and natural gas for the next three years. The graph includes financial hedges and hedging effected via supply contracts.

► For further information concerning financial price hedges, see Note E6 Derivatives and hedge accounting on page 114.

**Energy price hedges in relation to forecast consumption, December 31, 2022**

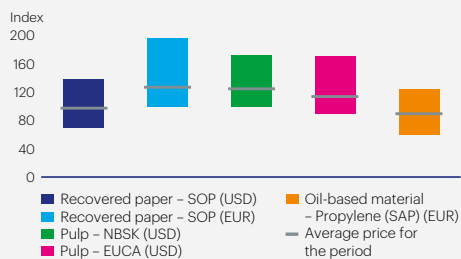


## Cost of input goods

### Risk

Input goods account for a considerable part of Essity's total operating expenses. The market price of input goods fluctuates over time and could influence Essity's earnings positively or negatively. The price trend for a number of input goods over the past ten years is presented in the diagram below.

### Highest/lowest market prices (annual average) 2012–2022 per input goods



### Action

Fiber (pulp and recovered paper) is a significant cost, mainly in the Consumer Goods and Professional Hygiene business areas. Essity is evaluating alternative types of fiber, such as straw from wheat as a means of diversifying fiber sourcing in the future. The cost of oil-based materials is driven by the trend in oil prices and represents a major cost in the Consumer Goods business area and for various packaging materials. The trend in oil prices also impacts transport costs. The impact of price movements on input goods can be delayed through purchasing agreements with fixed durations. Efficiency improvements in the company's operations, altered product specifications and price increases are examples of measures to offset the effect of rising costs for input goods.

› Essity's costs for input goods are described on page 159.

## Currency

### Risk

#### Transaction exposure

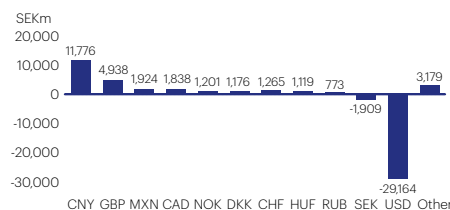
Transaction exposure is the risk that exchange rate movements in export revenues as well as import expenses and other costs could negatively impact the Group's operating profit and the cost of non-current assets.

### Action

Most of Essity's business is conducted outside Sweden and transaction exposure therefore arises primarily in currencies other than SEK. The largest exposure comprises a purchase requirement for USD and selling requirements for CNY and GBP. The significant USD exposure is a consequence of the Group's purchase of pulp that is invoiced in USD.

Transaction exposure, resulting from exports and imports, can be hedged for a period of up to 18 months. Contracted future payments for non-current assets in foreign currencies can be hedged up to the full cost. The currencies with the greatest net volume were hedged as follows: USD 1.7 months, CNY 0 months and GBP 1.8 months. During the year, there was continuous hedging of, primarily, trade receivables and payables, as well as future payments for non-current assets. The majority of hedges mature during the first quarter of 2023.

### Net flows in 2022



› For further information relating to hedging of transaction exposure, see Note E6 Derivatives and hedge accounting on page 114.

### Risk

#### Long-term currency sensitivity

The table below presents a breakdown of the Group's net sales and operating expenses by currency, which provides an overview of its long-term currency sensitivity. The largest exposures are denominated in EUR, USD, CNY and GBP.

Currency	Sales %	Costs %	Adjusted EBITA <sup>1)</sup> SEKm	Average rate 2022
EUR	36	31	11,266	10.6145
USD	14	27	-17,329	10.0754
CNY	12	7	9,195	1.4996
GBP	7	5	3,676	12.4604
MXN	5	6	532	0.5012
COP	3	3	481	0.0024
RUB	2	2	1,304	0.1510
SEK	2	8	-7,482	1.0000
Other	19	12	11,415	
<b>Total</b>	<b>100</b>	<b>100</b>	<b>13,058</b>	

1) Excluding items affecting comparability.

### Risk

#### Translation exposure

Translation exposure is the risk to which Essity is exposed when translating foreign Group companies' balance sheets and income statements to SEK.

### Action

Essity manages translation exposure by distributing the liability across the various currencies where the Group owns assets so that key figures that are important for the company's credit rating are protected in the long term against exchange rate effects. Translation exposure in the income statements of foreign Group companies is not currency-hedged. As at December 31, 2022, net debt amounted to SEK 62,869m (55,433; 42,688).

### Net debt distributed by currency

Currency	Net debt SEKm	Percentage of net debt		
		2022 %	2021 %	2020 %
EUR	19,866	32	35	43
SEK	11,422	18	22	18
CNY	7,563	12	3	8
GBP	7,257	12	12	12
AUD	7,182	11	6	1
USD	6,733	11	15	16
MXN	2,707	4	3	4
HKD	1,308	2	4	1
Other	-1,169	-2	0	-3
<b>Total</b>	<b>62,869</b>	<b>100</b>	<b>100</b>	<b>100</b>

› For further information relating to hedging of translation exposure, see Note E6 Derivatives and hedge accounting on page 114.



## Credit

### Risk

Credit risk refers to the risk of losses due to a failure by Essity's customers, or counterparties in financial agreements, to meet payment obligations.

### Action

#### Credit risk in trade receivables

Credit risk in trade receivables is managed through credit checks of customers using credit rating companies. The credit limit is set and regularly monitored. Trade receivables are recognized at the amount that is expected to be paid based on an assessment of the expected credit losses for the remaining lifetime of all trade receivables at the balance sheet date. For further information concerning trade receivables and recognition of expected credit losses, see Note E3 Trade receivables on page 112.

### Financial credit risk

Essity's Finance Policy regulates the maximum permitted counterparty risk depending on the counterparty's credit rating from the credit rating agencies Standard & Poor's, Moody's and Fitch. The objective is that counterparties must have a minimum credit rating of BBB+ or equivalent from at least two of these credit rating agencies.

Credit exposure in derivative instruments is calculated as the market value of the instrument on the balance sheet date. Credit exposure in derivative instruments amounted to SEK 4,416m (4,784; 1,650), gross. Taking net calculation agreements per counterparty into consideration, credit exposure of derivatives amounted to SEK 1,096m (1,563; 887). At year-end, the total credit exposure was SEK 6,891m (6,338; 6,208). This exposure includes credit risk of SEK 4,461m (4,119; 5,048) for financial investments. Refer to the table to the right for the distribution of credit risk by category.

### Financial credit exposure

SEKm	Category <sup>1)</sup>			Total
	A	B	C	
Financial assets measured at fair value through other comprehensive income	–	–	92	92
Financial assets measured at amortized cost	180	–	49	229
Cash and bank balances	1,901	823	1,564	4,288
Derivative assets, net	720	0	203	923
Current investments	173	–	–	173
Bank guarantees	1,186	–	–	1,186
<b>Total</b>	<b>4,160</b>	<b>823</b>	<b>1,908</b>	<b>6,891</b>

1) A: Investment grade, a long-term credit rating from one or more of the agencies of at least: Moody's (Baa3), Standard & Poor's (BBB-) and Fitch (BBB-).

B: Non-investment grade, a long-term credit rating lower than: Moody's (Baa3), Standard & Poor's (BBB-) and Fitch (BBB-).

C: No credit rating (mainly assets that lack a separate credit rating and cash and cash equivalents in regulated markets).

## Liquidity and refinancing

### Risk

Liquidity and refinancing risk is the risk that Essity is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising new loans.

### Action

To ensure good access to loan financing, regardless of economic situation and on attractive terms, Essity strives to maintain a solid investment grade rating.

Essity maintains a financial flexibility in the form of a liquidity reserve consisting of cash and cash equivalents and unutilized credit facilities totaling at least 10% of the Group's forecast annual sales. Essity limits its refinancing risk by having a well distributed maturity profile of its gross debt.

The gross debt must have an average maturity in excess of three years, taking unutilized

credit facilities which are not part of the liquidity reserves into account. Surplus liquidity should primarily be used to amortize external liabilities. Essity's policy is to avoid terms that entitle the lender to terminate loans or adjust interest rates as a direct consequence of movements in Essity's financial key ratios or credit rating.

The Group's financing is mainly secured by bank loans, bond loans and through issuance of commercial papers. The refinancing risk in short-term borrowing is mitigated through long-term credit facilities from bank syndicates and individual banks with favorable creditworthiness.

Essity's net debt increased by SEK 7,436m in 2022. At year-end, the average maturity of gross debt (excluding leases and pensions) was 3.9 years (4.1; 3.1). If short-term loans would be replaced with long-term unutilized credit facilities, the average maturity would amount to 4.3 years.

Unutilized credit facilities amounted to SEK 22,245m at year-end. In addition, cash and cash equivalents totaled SEK 4,288m.

### Liquidity reserve

SEKm	2022	2021	2020
Unutilized credit facilities	22,245	20,459	20,056
Cash and cash equivalents	4,288	3,904	4,982
<b>Total</b>	<b>26,533</b>	<b>24,363</b>	<b>25,038</b>

SEKm	2022	2021	2020
Net sales	156,173	121,867	121,752
Liquidity reserve <sup>1)</sup>	17%	20%	21%

1) Liquidity reserve as a percentage of net sales.

► For further information, see Note E2 Financial assets, cash and cash equivalents on page 111, and Note E4 Financial liabilities on page 113.

## Interest rate

### Risk

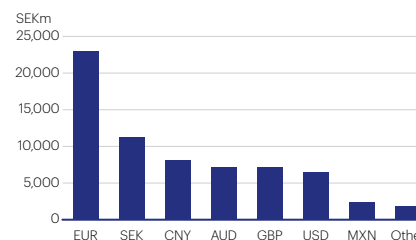
Interest rate risk relates to the risk that changes to interest rates could have a negative impact on Essity. Essity is affected by interest rate movements through financial income and expenses, cash flow and the value of its financial assets and liabilities.

### Action

Essity strives to achieve a solid distribution of its interest maturity dates to avoid large debt volumes of renewals occurring at the same time. Essity's policy states that the average interest duration shall be a minimum of 3 months and a maximum of 36 months. Essity's financial items increased in 2022. Higher average interest rates had a negative impact. Essity's major funding currencies are EUR, SEK and CNY, refer to the graph below. To achieve the desired interest rate duration, Essity uses financial derivatives. The average interest rate duration for the gross debt, including derivatives, was 13.9 months (19.0; 21.2) at year-end.

The average interest rate for the total outstanding net debt including derivatives, amounted to 3.48% (1.30; 1.61) at year-end.

### Gross debt distributed by currency



# Climate-related risks and opportunities

Climate change affects Essity and the company continuously maps the risks and opportunities this entails using, for example, scenario analyses. The purpose is to identify, manage and minimize the risks and to take strategic action. Strengths and opportunities identified and agreed upon actions provide a basis for the company's strategic priorities in the area of sustainability.

## Strategy and governance

The identification and assessment of climate-related risks and opportunities are part of Essity's strategy process. Climate risks and opportunities are evaluated in each business unit and in a centrally coordinated internal expert group that represents key functional competencies for climate-related topics in Essity.

Responsibility for managing climate risks follows the company's delegation scheme, which is described on page 40. Sustainability issues are discussed on an ongoing basis by Essity's

Executive Management Team and Board of Directors and has also in 2022 comprised a focus area in the work of the Board of Directors.

A steering committee has been appointed to ensure that Essity fulfills the company's ambitious climate and environmental targets. The steering committee is led by members of Essity's Executive Management Team and its tasks include preparing plans and strategies to deliver on all emission reductions targets for Scope 1, 2 and 3. Read more under Sustainability Governance on page 61.

## Climate-risk analysis process

Essity's climate-risk analysis is based on the recommendations of the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and has been conducted twice a year since 2020. In 2022, a more in-depth scenario analysis was conducted based on two different climate scenarios. The purpose of analyzing climate-related risks and opportunities is to inform the strategy of the company. This is performed with a ten-year perspective to enable conclusions and identification of long-term strategic actions and priorities.

The climate risk and opportunities process used a scenario analysis of two key scenarios, valid both for the operations as well as for business continuity.

- **Scenario 1:** Global warming of 1.5°C
- **Scenario 2:** Global warming of 4°C

Within each scenario, key questions were defined to identify and understand risks and opportunities to Essity's business related to climate change:

## Scenario 1: Global warming of 1.5°C

### – “transition scenario”

- Key legislative drivers impacting Essity's business?
- How will consumer/customer demand change and what are the underlying key drivers?
- How can Essity differentiate, have the greatest impact and contribute the most to the green transformation?

## Scenario 2: Global warming of 4°C – “physical climate scenario”

- Where and how will Essity's business be affected by physical climate change impact and degradation of nature, and what are the biggest threats?

Reporting is conducted based on the recommendations of the TCFD framework.

See also page 153 for an index of where more TCFD-related information can be found in the Annual and Sustainability Report.

## Process



## Scenario 1: Global warming of 1.5°C<sup>1)</sup>

**Description:** Global warming is limited to no more than 1.5°C by 2100 through global collaboration between governments, industries, companies and individuals pushing for tougher legislation, green innovation and rising demand for environmentally friendly products and services. Carbon emissions are strictly limited and carbon tax is extended, which promotes processes with low carbon emissions and greater use of circular material and products.

Risks	Description and impacts
<ul style="list-style-type: none"> <li>• Shifting regulatory landscape</li> <li>• Changed consumption patterns</li> <li>• Shortage of green energy and sustainable materials</li> </ul>	<p>Transitional effects will impose stricter legislation for manufacturing processes, energy sources and material use:</p> <ul style="list-style-type: none"> <li>• Increased restrictions on carbon emissions through carbon taxes impact overall operational costs.</li> <li>• Limitations or stricter post-use solutions for single-use products to reduce waste impact operational costs.</li> <li>• Limitations on water use in production will impact production costs.</li> <li>• Consumer behavior and preferences move toward lower use of plastics.</li> <li>• Continued increase in demand leads to shortage of fresh wood-based fiber, in turn resulting in raw materials shortages and increased prices for raw materials.</li> </ul>
Opportunities	Description and impacts
<ul style="list-style-type: none"> <li>• Development of new business models</li> <li>• Sustainable innovations</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive advantages through Essity's long-term and robust efforts to achieve lower resource use, innovative green production methods and lower carbon emissions.</li> <li>• Customers, consumers, investors and employees are attracted by changed consumption patterns in the form of increased demand for sustainable solutions with a smaller climate footprint, that companies with a strong sustainability profile are rewarded and investments in and development of business models and environmentally conscious solutions.</li> </ul>

## Scenario 2: Global warming of 4°C<sup>2)</sup>

**Description:** Global warming of 4°C in 2100, due to the failure to effectively reduce emissions and other negative environmental impacts. Extreme weather becomes more frequent. Sea levels continue to rise, desertification and deforestation continues. Access to key resources such as raw materials, energy, water and food declines, resulting in greater volatility and uncertainty for prices and food security.

Risks	Description and impacts
<ul style="list-style-type: none"> <li>• Extreme weather</li> <li>• Permanent shortage of key raw materials and access to water</li> <li>• Linear consumption patterns continue</li> <li>• Dynamic and globally disharmonized regulatory landscape</li> </ul>	<p>Extreme weather and the continued rise of carbon emissions into the atmosphere may impact Essity's business in many areas such as:</p> <ul style="list-style-type: none"> <li>• Water scarcity and excessively high water temperatures impacting production stability and operational costs.</li> <li>• Rising insurance costs and costs for reconstruction following extreme weather.</li> <li>• Increased investments required to safeguard stable production and supply chain.</li> <li>• Deforestation continues and forest fires limit availability of good quality certified wood, impacting prices negatively and leading to raw material shortages.</li> <li>• Lower living standards and changed consumption behavior.</li> <li>• Permanent scarcity of natural resources, raw materials, energy and water may require site closures in specific areas and generally lead to higher prices for raw materials, energy, water and distribution.</li> <li>• Increasing amount of waste to be managed by communities and countries will impose higher waste costs.</li> <li>• Without bans, plastic use continues to increase resulting in higher costs.</li> <li>• Frequent shift in the political landscape and regulations may impact cost of compliance and conducting business.</li> </ul>
Opportunities	Description and impacts
<ul style="list-style-type: none"> <li>• Competitive advantage</li> <li>• Leading hygiene and health solutions are prioritized</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarded production and sourcing in regions at risk builds trust in and loyalty to Essity's brands.</li> </ul>

1) The scenario includes consideration of Shared Socioeconomic Pathways (SSP) scenarios 1-1.9 and the International Panel for Climate Change (IPCC) scenario (RCP scenario 2.6).

2) The scenario includes consideration of Shared Socioeconomic Pathways (SSP) scenarios 3-7.0 and the International Panel for Climate Change (IPCC) scenario (RCP scenario 6-8.5).



## Strategic action areas

Investment decisions consider both financial and environmental impact. Investments are made in state-of-the-art technology, improving process efficiency and reducing carbon emissions. Through “Industry 4.0” and the development of smart production facilities, Essity is achieving more efficient production, shorter lead times, higher quality and lower environmental impact.

Essity researches and invests in several ground-breaking ideas in sustainable technology in its manufacturing processes with the aim of reducing the company’s environmental

impact and setting new standards for the entire industry.

Essity production of pulp from alternative fiber at its facility in Mannheim, Germany has been in operation since 2021. The production facility produces high-quality pulp from wheat straw, using less water, energy and chemicals as well as reducing carbon emissions. This will also offer Essity access to a new source of raw materials, which may over time reduce the company’s exposure to wood-based pulp.

Essity prioritizes emissions-effective transport methods for long-distance transportation. The company has a strong focus on and priori-

tizes vehicle types that meet the requirements of the latest environmental and emissions classes combined with the most up-to-date alternatives, such as CNG fuel (vehicle gas) and electric trucks.

New offerings, business models and partnerships are under development in Essity that contribute to a more sustainable society and reduce the environmental impact of the company, and of customers and consumers. For example, Essity offers leakproof apparel that facilitates reuse, the proportion of renewable material has increased in the company’s packaging, and more customers are using Tork PaperCircle®, which is the world’s first recycling service for paper hand towels.

Essity urges its suppliers to promote increased sustainability and several of Essity’s major raw material suppliers have their own ambitious sustainability targets that are often approved by the Science Based Targets initiative.

Essity strives to increase the use of recycled and renewable material in packaging and products. The company’s target for sourcing of fresh fiber means that all wood-based fresh fiber is to be FSC™ or PEFC™ certified, meaning sourced from responsibly managed forests that promote the principles of biodiversity and forest conservation.

Essity has contingency plans in place in high-risk countries and is continuously working to safeguard production and sourcing of input goods.

All of Essity’s production facilities and associated distribution centers (regardless of

their location) are obligated to follow Essity’s loss-prevention policies, not only for fire, explosion, and machinery breakdowns but also for climate-related risks. In addition to contingency plans, this may involve tangible measures such as reinforcements for roofs and doors against wind, shut-off valves for gas in the event of an earthquake, or various customizations to keep rapidly rising water outside of a plant or warehouse. Essity has also engaged the services of external consultants to model the company’s exposure to natural catastrophes where possible and is working with loss-prevention activities. Reduced resource consumption, efficiency enhancements, altered product specifications and price increases.

## Targets and key performance indicators

For many years, Essity has worked with sustainability across the value chain: from responsible raw material sourcing, more efficient production with a smaller climate footprint, and sustainable solutions to customers and consumers. The sustainability work has been broken down into several ambitious targets and key performance indicators to be achieved in parallel with the continued growth of the company. This places demands on the need to make a transition and on new production methods and circular business models, which is a challenge but if handled correctly also contributes to business opportunities and cost savings.

► Read more about Essity’s targets and outcomes on pages 24–26.



Essity offers leakproof apparel for periods and incontinence.

# Materiality analysis

Part of the basis for Essity's strategy work consists of a materiality analysis where Essity and the company's stakeholders rank the issues and other areas that are perceived as being important for the company.

Essity conducts every other year a materiality analysis, which entails the use of a centrally coordinated strategy process to analyze how the company influences its external environment and the potential impact of the external environment on the business.

The first step consists of the risk analysis, which ranks the impact of business risks on the Group's ability to achieve set targets. In this step, the probability and consequence of the impact of the risks are evaluated. Read more about the risk management process and risks on pages 40–48. In the second stage, the company distributes a web-based survey every second year to Essity's stakeholder groups: customers, consumers, suppliers, employees, investors, analysts, non-profit organizations and decision-makers.

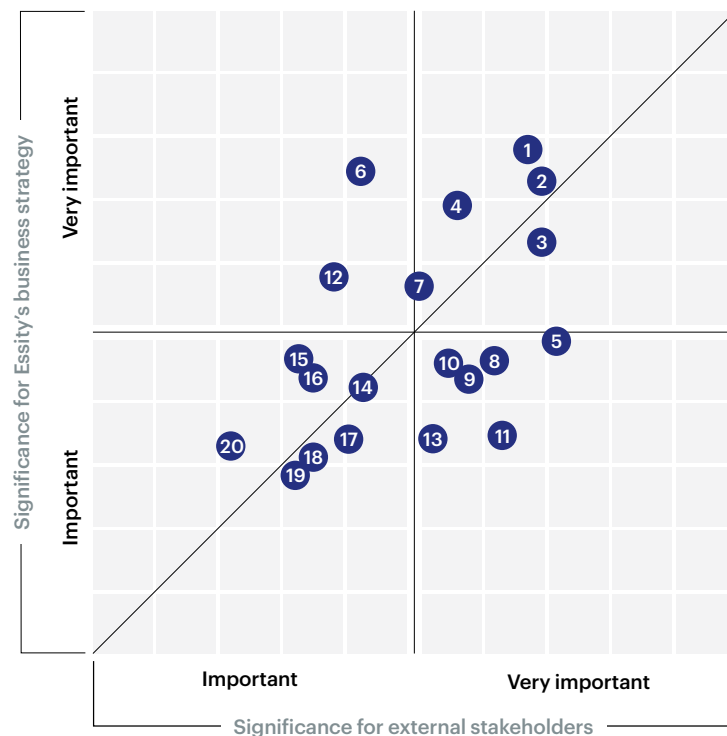
The survey asks the stakeholders to rank the most important topics. The latest survey was conducted in 2021, and resulted in approximately 600 answers. In addition to the materiality analysis, Essity maintains a continuous dialogue at Board of Director meetings, meetings

with shareholders and in daily contacts with customers and consumers, employees, suppliers and decision-makers, among others. The materiality analysis and these dialogues form part of supporting documentation in Essity's strategy work.

The results of the materiality analysis from 2021 are presented in the graph below. This summarizes and ranks all topics that are considered strategically important for the company. Interest increased for topics such as digitalization, health and well-being, as well as responsible sourcing and product safety. These topics received the highest ranking, together with innovation, climate action and business ethics, which stakeholders also considered most important in previous years.

A more comprehensive account of all topics in the survey and how it was implemented can be found at [www.essity.com/sustainability](http://www.essity.com/sustainability). There is also a presentation of the process and changes the company continuously undertakes in the selection, grouping and description of the topics assessed by stakeholders.

Essity's materiality analysis



The stakeholders' ranking of the subject areas

		Read more on pages			Read more on pages
1	Innovation	6, 15, 17–18, 25, 57–58	11	Customer relations	12, 49, 140, 163
2	Climate action	46–48, 56–60, 142–144	12	Digitalization	11, 19, 22
3	Business ethics	54–55, 138–139	13	Efficient supply chain	43
4	Health and well-being	51–55	14	Risk management	40–48
5	Transparency	61	15	Trademarks	27–33
6	Attractive and responsible employer	23, 51–55	16	Market positions	13
7	Plastic and waste	59–60, 141–142	17	Forests and biodiversity	56–60
8	Human rights	54–55	18	Laws and regulations	54–55, 64
9	Responsible sourcing and safe products	53–54, 139	19	Water	58–59, 141
10	Corporate governance	62–67	20	Cyber and information security	43

# Essity's commitment to sustainability

## For the well-being of people and planet

Sustainability is and has been high on our agenda for many years. Essity improves the well-being of people through its leading hygiene and health solutions. To us, the well-being of people also includes our own people, our suppliers and partners, and the communities in which we operate. We work to ensure that Essity is an inclusive and safe workplace and that operations are conducted in a responsible manner.

We are committed to reducing our environmental impact, reduce waste and providing circular solutions, and protecting and restoring biodiversity. Our business is dependent on healthy and functioning ecosystems for our long-term survival and future success.



As a leading global hygiene and health company, Essity plays an important role in contributing to the achievement of the UN Sustainable Development Goals. We focus on goals 3, 5, 6, 12, 13 and 15, as this is where we have our expertise and can make the greatest contribution. Essity supports the UN Global Compact and works to overcome global challenges through cooperation and partnerships.



## Read about Essity's commitment to sustainability

### Improving well-being for people and societies

- › Hygiene and health on page 51
- › Diversity, equity and inclusion on page 51
- › Product safety and transparency on page 53
- › Health and safety on page 53
- › Business ethics and human rights on page 54
- › Partnerships on page 55

### Reducing our environmental impact

- › Forest and fiber on page 56
- › Greenhouse gas emissions on page 57
- › Plastic on page 58
- › Waste on page 59
- › Water consumption on page 60
- › Partnerships on page 60

### Sustainability governance

- › Purpose, implementation and follow-up on page 61
- › Public policy, regulations and internal steering documents on page 61
- › EU taxonomy on page 61
- › Sustainability indexes and rankings on page 61



# Improving well-being for people and societies

## Our greatest contribution

In pace with world population growth and rise in average life expectancy, there is increased need and demand for more preventive and easily accessible hygiene and health solutions. Driving awareness around and improvements to these issues is equally needed. Our products and services both save and improve lives by preventing the spread of bacteria, viruses, infections and diseases, and increase well-being and quality of life worldwide.

As Essity reaches many people around the world, it is important for us to recognize, understand and serve the diverse needs of our

customers and consumers in multiple markets, while simultaneously creating a culture among our employees with a strong sense of belonging and engagement. We are building a workplace that attracts talent motivated by a clear purpose and vision for social change.

Essity conducts business in a responsible way and contributes to sustainable and inclusive societies in the communities where we operate. Furthermore, we are determined to offer the highest product and workplace safety standards to provide easily accessible, transparent product information to our customers and consumers.

## Hygiene and health

Essity's core business is directly linked to Sustainable Development Goal (SDG) 3 Good health and well-being, SDG 6 Clean water and sanitation, and SDG 12 Responsible consumption and production.

Every day, millions of people refrain from going to work or school or taking part in social events because of hygiene and health-related concerns. With Essity's expertise and solutions, we work to spread knowledge, create awareness and empower people to address hygiene barriers. We play an important role in improving well-being in areas where gender, generational divides and variable abilities may constitute barriers to living a full and active life.

Essity initiates global dialogue and raises awareness around unspoken issues, perceived social stigma and the physical implications surrounding menstruation, incontinence, phlebology and personal and public hygiene. By challenging stigmas and providing access to products, Essity works to ensure that women and girls can continue to live an active life during menstruation and menopause. For example, our #bloodnormal campaign aims to call time on period taboos. Our TENA campaign #lastlonelymenopause aims to break barriers and the stigmas of menopause and encourage dialogue to increase the sense of inclusion and belonging.

Essity's ambition is to develop the hygiene and health solutions of tomorrow. In parallel, we are working with solutions and models for preventive measures, health promotion and improved self-care, which is important in a world

that is experiencing a population increase and strained healthcare budgets. To ensure the continued improvement of global health and well-being, we work with hand hygiene, cleaning, wound care, solutions for chronic conditions, caretaking of family members, incontinence management, menstruation and digital solutions. We also work with health promotion and enabling care systems and models for this. We are leading the industry toward a future where the well-being of both people and planet can be met by developing more sustainable products and services.

## Diversity, equity and inclusion

At Essity, we create change together. Our employees are the core of the company. We are determined to ensure an inclusive work environment for all, to achieve gender balance in senior positions, and accelerate representation of under-represented groups.

Our Beliefs & Behavior form the foundation of our culture. Essity's purpose is to improve people's well-being by breaking barriers. Most of our brands explicitly contribute to greater inclusion in society by challenging gender or age-related stigmas. We strive to have diversity, equity and inclusion (DEI) underpin what we do and how we do things.

Highlighting our efforts in the DEI area makes sense from a workplace and marketplace perspective. We know that DEI boosts innovation, improves decision making and increases employee engagement, which represent business-critical improvements for us.

Our #WoundWarriors campaign was designed to increase awareness among healthcare professionals of the role of wound management in the global challenge of antimicrobial resistance (AMR). We also work across industries and through multi-stakeholder platforms to support systemic changes and address the challenges of AMR.



Several programs and networks are offered at Essity to increase diversity in senior positions. Local activities are being carried out in various countries to target specific employee groups. Our employee survey shows that we are making good progress and provides valuable insights for our continued efforts.

Our approach to DEI includes a global strategy and roadmap, management team and workforce workshops, and the provision of inclusive leadership training to all managers. We have also included more DEI-related questions in our employee survey. In 2022, we partnered with Catalyst, a global non-profit organization that aims to create inclusive workplaces, which will enable us to accelerate our journey moving forward.

#### *Essity's diversity work*

In 2022, Essity was recognized as a Diversity Leader by the UK business daily *Financial Times* for the second consecutive year. The ranking surveyed more than 100,000 employees in European companies on a range of diversity aspects in their own and other companies.

Through our partnership with the United Nations Foundation, we have committed to the organization's #EqualEverywhere initiative to accelerate progress toward achievement of the Sustainable Development Goal of gender equality. Essity works actively with diversity, equality and inclusion and strives for constant improvement in this area.

#### **Employee relations**

Essity has a positive and constructive dialogue with employee representatives. As a global company, we experience many changes that require information and consultation with employee representatives at all levels of the company. Essity recognizes the right of every employee to be a trade union member and to participate in union activities. The

company meets with employee organizations at various levels on a regular basis to inform them of and discuss issues such as the company's results, any organizational changes, health and safety and employment terms and conditions. Essity has an agreement with the industry organization IndustriAll. When there is no union representation, Essity establish-

es other channels where possible, such as an employee council. We also support the global partnership Global Deal, which has members from the private and public sectors. The purpose is to improve dialogue between parties in the labor market and national governments.

At Essity, all employees are to be treated with dignity and respect and we work systematically to prevent discrimination with regard to gender, ethnicity, religion, disability, sexual orientation, age or other grounds for discrimination protected by law. This is stipulated in our Code of Conduct and Diversity Policy. Breaches to our Code of Conduct and Diversity Policy can be reported using a reporting hotline, which is managed by a third party and offers anonymity. We strive to make our recruitment process fair, transparent, and free from bias. We track representation from nationality, age, and gender perspectives, for all employees and all management levels yearly, to ensure there are no systematic biases. Pay differences due to gender, age or background are followed up every year and any unjustified differences are addressed.

› Read more on page 51.



## Product safety and transparency

We never compromise on the safety or quality of our products. To ensure this throughout a product's life cycle, we have extensive requirements and procedures in place, which our internal experts continuously improve in accordance with rules and regulations. We also have a certified quality system.

Essity collaborates with external experts in toxicology and life science to guarantee independent reviews. Every product and product component Essity receives from third parties must comply with Essity's product safety and chemicals criteria, according to the specifications in our Global Supplier Standard. Internal business practices ensure that information that may be relevant for product safety, including complaints and feedback from customers and consumers as well as quality incidents, are part of the product safety concept. Essity also

actively participates in contributing to public policy developments and discussions on improving product safety and transparency. We communicate with customers and consumers to raise awareness and understanding about our product content.

Answers to frequently asked questions regarding product safety are published on [www.essity.com](http://www.essity.com) and each brand's local website, together with detailed information about product contents. To further strengthen the availability of product information, we support the development of the EDANA Stewardship program on substances of concern, to drive transparency and align approaches to product assessments for absorbing hygiene products. We also launched the "Product Safety, For Us It's Personal" and "Our 5 Pillars of Protection" campaigns during 2021.

## Occupational health and safety

Health and safety also has the highest priority. Everyone working at our production facilities and offices, or visiting Essity, should be safe and secure. The safety, health and well-being of our employees is crucial to the success of our operations. It is also aligned with our Beliefs & Behaviors and the ethical standards and requirements expressed in our Code of Conduct.

Essity regularly monitors employee perception of health and well-being and the evolution of our safety culture. We offer clear plans and programs to lead in this field. We strive to promote physical and mental health and well-being. By developing new digital ways of working and training courses, we offer a more effective and systematic manner with which to assess, analyze and work with continuous improvements in employee health, well-being and engagement.

Essity is committed to offering a work environment that contributes to a long-term sustainable working life. We encourage an open culture, and all employees are encouraged to be aware of and take immediate action against conditions, acts and behavior that increase the risk of accidents. In April 2022, the "I Care" initiative was launched, which is our cultural journey toward a safe and healthy work environment. It brings essential tools that will empower Essity to be a safety leader. The I Care leadership training course provides various elements of safety awareness, helping us to recognize and work with safety using our hearts and minds. In 2022, we trained more than 1,000 managers and our target is to train all 16,000 employees and contractors in our

production facilities by 2024. Rewards are also part of I Care and this year we recognized great achievements with our first edition of the Essity Global Health and Safety Award, delivered by Essity's CEO. The award was followed by a month during which there was a particular focus on health and safety, aligned with guidelines from the United Nations and International Labor Organization.

As a complement to our safety leadership program, Essity has put in place an ambitious roadmap for technical safety and safety framework to be best-in-class and reduce the occurrence of events that could result in fatalities. Key elements that have taken effect in 2022 are upgrades to the following frameworks: Machine Safety Risk Assessment (MSRA), Isolation of Hazardous Energies (IoHE), and Traffic Manage-

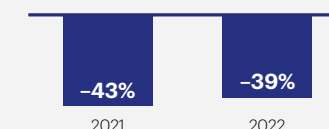


### Health and safety

Decrease in total recordable incident rate compared with 2019

**Target 2025: -75%**

**Outcome:**

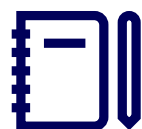


The Total recordable injury (TRI) figure includes Lost time accidents (LTA), Restricted work cases (RWC) and Medical treatment cases (MTC). All of Essity's production facilities are conducting purposeful and systematic work with safety issues.



ment. The upgrades to our safety processes are aligned with the ISO 45001 and 14001 principles and allow us to work systematically to achieve continuous improvements.

We monitor our Total Recordable Injuries (TRI) performance and Potential Serious Injuries or Fatalities through our reporting culture and processes. Nevertheless, we regret to report a contractor fatality at one of our warehouses during 2022.



90%

of Essity's new employees completed training in Essity's Code of Conduct.



90%

of Essity's total purchasing spend was to suppliers that comply with Essity's Global Supplier Standard.



6,480

of Essity's employees completed mandatory online anti-corruption training.

## Business ethics and human rights

Conducting Essity's business in a socially responsible way is part of our corporate DNA. We have a zero-tolerance approach to unethical business behavior and violations of human rights in the value chains where we exercise control.

### Code of Conduct

Essity's Code of Conduct describes how employees should act, how the company operates, and our stakeholder's expectations of Essity and Essity's commitment to human rights, including children's rights. The Code is based on international standards, such as the United Nations Guiding Principles on Business and Human Rights (UNGP), the ILO Core Conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles and related legislation.

All of Essity's wholly owned subsidiaries are bound by the Code of Conduct. We expect joint-venture companies to implement a Code of Conduct and guidelines equivalent to those stipulated in Essity's Code of Conduct. To ensure that all employees comply with the Code of Conduct, it is included as a mandatory training course in all the company's onboarding programs. To address the risk of corruption, Essity has an anti-corruption program that includes due diligence programs for business partners, training programs for employees and risk analyses. For Essity employees who have frequent contact with external stakeholders, annual anti-corruption training is mandatory.

All our other business partners are expected to follow principles equivalent to those included in the company's Code of Conduct.

Essity has a Global Supplier Standard to ensure responsible business operations and respect for human rights across the company's supplier base. This standard contains requirements concerning quality, product safety, the environment and chemicals. It also contains a Code of Conduct for Suppliers that includes Essity's expectations as regards human rights and employee relations, health and safety and business ethics. Compliance with these principles is a key factor when choosing suppliers and other business partners.

### Compliance and monitoring

Systematic activities, such as audits and other monitoring processes, take place to ensure compliance.

For Essity's own and wholly owned production facilities, compliance with the Code of Conduct is ensured through audits under SA8000 conducted by the Internal Audit unit. The preferred audit format is SMETA, the Supplier Ethical Data Exchange's (Sedex) social auditing methodology, which is the most widely used format in the world for social and ethical audits. Essity's own and wholly owned production facilities that have conducted self-assessments in Sedex are available to our customers who are part of Sedex. Customers conduct audits in accordance with SMETA at Essity's production facilities.

We apply a systematic approach to ensure that our suppliers globally operate in line with our Code of Conduct for Suppliers. Essity requires that the company's suppliers use Sedex to conduct a self-assessment linked to working conditions, environment, business ethics and health and safety. Audits at the suppliers' sites, in accordance with OECD guiding principles

for Multinational Enterprises and UN Global Compact, are used to verify compliance and to identify and address potential social and ethical issues.

### Reporting breaches

Essity encourages an open and honest culture in which all employees can report suspicions of violations of the Code of Conduct or legislation. Retaliation against individuals who submit reports in good faith will not be accepted. Essity offers its employees a number of internal channels to report violations. Essity's Code of Conduct includes a section on how the company's whistleblower system works. All employees have access to the whistleblower system, Essity's reporting hotline, which is managed by an external party. Our reporting hotline is available 24/7 by phone or online in more than 25 languages. Where permitted by law, breaches can be reported anonymously. Essity's Compliance & Ethics department receives all submitted reports from the whistleblower system and is responsible for ensuring that necessary action is taken. Reports are presented regularly to Essity's Compliance Council and to the Board of Directors. Read more about this on [Essity.com](#).

### Risk management

Essity is potentially exposed to a number of risks given that our solutions are produced in and sold in several markets worldwide. Essity conducts regular assessments and risk analyses related to human rights, which comply with the UNGP. Risk analyses are based partly on assessments carried out by Transparency International, and partly the Sedex tool. Other complementary sources of information are various risk indexes and tools such as Dow Jones



and Everstream Analytics. Corruption risks are followed up and analyzed regularly within the scope of the anti-corruption program. In 2022, about 36% of Essity's revenue was from sales in countries with a relatively high risk of corruption. In the 2022 Sedex assessment, 98% of our production facilities received a low to medium risk classification relating to human rights and corruption.

Essity applies continuous risk management for identification of business ethics, human rights and environmental risks related to the company's suppliers and procurement categories. The risk management approach is based on OECD guidelines for Multinational Enterprises.

Many of the strategic suppliers' production facilities located in Asia and South America are part of large multinational corporations based in Europe and the USA. This is a conscious choice by Essity to reduce the social and ethical risks within the supply chain.

## Partnering for improved global health and well-being

Greater impact can be achieved by collaborating with organizations that share our ambition to improve global hygiene, health and equality. We engage in initiatives where we can best contribute and these must be politically and religiously independent, as set out in Essity's Community Relations Instruction. In 2022, Essity invested approximately SEK 37M in more than 400 projects. For example, during the year we had a close and action-oriented collaboration with UNHCR to support people in Ukraine.

We work with partners to gather and share knowledge and insights. Through our different

perspectives, expertise and resources, the aim is to identify solutions to global societal challenges and to drive global change, for example by raising hygiene and health standards, thereby improving well-being for millions worldwide. With important partners such as the United Nations Foundation, we focus on sharing knowledge and raising awareness on what is needed to achieve the UN Sustainable Development Goals. Our work in raising awareness of stigmas and breaking taboos related to hygiene and health are examples of how Essity can play an important role in society and participate in

the global public debate around issues related to hygiene, health, and well-being.

For many years, Essity has been a strategic partner in the "Global Handwashing Partnership". We also support the "Hand hygiene for all" initiative together with the WHO and UNICEF in Mexico, the aim of which is to guarantee access to products and services for hand hygiene in countries and areas where knowledge of and access to good hygiene and handwashing solutions are limited. Through our partnership with UNICEF in Mexico, we are highlighting the rights of children and young

people in relation to health, education and gender equality, with a focus on hand hygiene and menstruation.

As a means of contributing to the global dialogue on improving hygiene and health, driving societal progress and enabling solutions, we have – over the past 15 years – regularly published "The Hygiene and Health Report" in cooperation with the Sanitation and Hygiene Fund (SHF). The report contains new insights and relevant action and has been the base for engaging with stakeholders to drive urgently needed changes.

### Hygiene Is Our Right – a partnership with UNICEF in Mexico

For a number of years, Essity has collaborated with UNICEF in Mexico under the project "Hygiene is our right". This initiative seeks to raise awareness about the importance of hand washing, to provide greater access to clean and safe toilets, and to empower children and adolescents to challenge myths and negative behaviors surrounding menstrual hygiene.

The partnership has had significant impact on educational participation by providing access to water, hygiene and sanitation in schools in Mexico. The initiative shows that health and hygiene are fundamental to guarantee the right to education, especially menstruating adolescents.

In 2022, the partnership was renewed for three more years, which will allow Essity and UNICEF in Mexico to continue working to guarantee the right to hygiene, health and quality education in Mexico.



# Reducing our environmental impact

## Our greatest contribution

The climate crisis is one of the most defining issues of our time. Its global effects are far-reaching and impact both individuals and Essity's business. As one of the world's leading hygiene and health companies, we have the scale and reach to take action and contribute to collective transformation.

Biodiversity is crucial for the environment and human health and well-being. Our operations impact biodiversity in all parts of the value chain – particularly our activities related to sourcing of raw materials, greenhouse gas emissions, water consumption and effluent water, and also waste leakages, in particular plastic waste. Essity has ongoing initiatives and measures in all of these areas. As part of a major analysis of our impact on

biodiversity, Essity integrated biodiversity into our overall risk management in 2021. We help our customers and consumers to make simple environmental choices, by communicating our environmental improvements in our own communication or through eco-labelling.

We are working to reduce greenhouse gas emissions, air, land and water pollution, as well as water and plastic use, and waste. A central part of this is responsible forestry and procurement of fiber, reduced material use, sustainable consumption and circular solutions. These initiatives make a positive contribution to SDG 12 Responsible consumption and production, SDG 13 Climate action and SDG 15 Life on land.

## Forest and fiber

Nature consideration and protection of biodiversity through responsible forestry is a priority for Essity. As a global purchaser of both fresh and recycled wood-based fiber materials, we are dependent on healthy and resilient forests. Our impact on forest biodiversity is primarily through use of wood-based fresh fiber. Responsible procurement and responsible forest management is an integral part of our fresh fiber procurement and is therefore central to Essity's sustainability strategy.

### Responsible fiber procurement

Our long-standing work with responsible

fiber procurement is an important part of our sustainability strategy. We ensure responsible fiber procurement through certifications such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) and can thereby prevent deforestation and promote biodiversity. Every FSC-certified forest must be annually assessed by the accredited body. Essity works with and encourages non-certified suppliers and forest owners to become certified. This secures our procurement of certified materials while increasing the availability of certified raw materials to other users. To further promote responsible forestry at the global, regional,

and national levels, we support the further development of international certification systems. Essity participates in the Consumer Goods Forum (CGF) together with other leading consumer goods companies in the Forest Positive Coalition of Action initiative to combat global forest degradation, deforestation and to preserve biodiversity.

### Recycled and alternative materials

As a means of reducing fresh wood fiber purchases, we invest in new technology to increase the possibility of utilizing a larger share of recycled and alternative materials. One step in this direction was Essity's investment in the production facility in Hondouville, France, in 2021. The investment made it possible to increase the recycling capacity for cartons and extract 98% of paper fiber in food and beverage cartons. We are also investing in alternative renewable fibers such as wheat straw, an agricultural by-product that often remains unused. Essity's production facility in Mannheim, Germany, began producing tissue from wheat straw pulp in 2021, with the first products launched on the market in 2022 under the Zewa brand. This is the first production facility of its kind in Europe and the first plant in the world that uses wheat pulp on a large scale to produce tissue. The breakthrough innovation leads to increased circularity and reduced climate footprint.

### Targets and transparency

In 2022, Essity was again recognized for the company's leadership in sustainability by the non-profit environmental organization CDP.

Through CDP's database, everyone can access information about how Essity works with fiber suppliers, industry organizations and other stakeholders, including non-profit organizations, to manage and promote sustainable forestry.

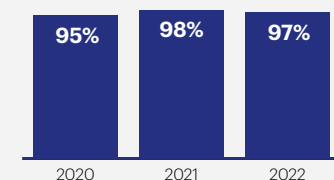
Each year, Essity reports according to the agreed targets in the Forest Positive Coalition of Action that is part of the CGF. This report is available on our website and is included in CGF's annual aggregated report. Our joint targets form an essential part of our commitment together with other coalition members. Essity reports and follows up on these targets to drive a Forest Positive change within our own supply chains, our industry, and beyond.

## Fresh fiber

Share of FSC or PEFC-certified fresh fiber

**Target: 100%**

**Outcome:**



Through certifications such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), Essity ensures sustainable fiber procurement, thereby preventing deforestation and promoting biodiversity.



## Reduction in greenhouse gas emissions

Emissions and pollution have a negative impact on biodiversity. Reducing greenhouse gas emissions and the carbon footprint of our operations has been a major focus for Essity for many years. The company has committed to achieve net zero emissions of greenhouse gases by 2050 and has Science Based Targets for Scope 1, 2 and 3, encompassing both our own operations and our suppliers' value chain. We have raised our ambitions for existing Science Based Targets in Scope 1 and 2. Essity has a clear strategy and plan for how it will achieve these targets and the most important priorities have been identified. These actions will encompass the entire value chain, from raw materials, production, distribution, and consumer use to the management of used products. Essity has joined the UN Global Compact's "Business Ambition for 1.5°C". The climate targets are aligned with the ambitions of the Paris Agreement to reduce global warming. The initiative is supported by the CDP, World Resources Institute (WRI), WWF and UN Global Compact.

### The road to net zero emissions

Essity focuses on the following areas to achieve our ambition of net zero emissions.

- **Sustainable innovations:** For many years, we have worked with life cycle assessments (LCAs) to reduce material use in products and to develop thinner products without affecting functionality or quality. We support sustainable consumption with products such as leakproof apparel, hybrid baby diapers and digital services such as TENA SmartCare. Through sustainable innovation and daily

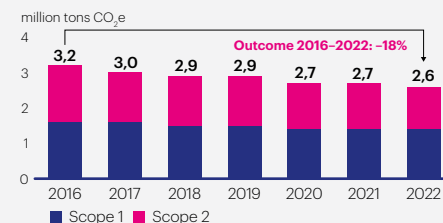
improvements, Essity has reduced the carbon footprint in the company's different product offerings by up to 43% over a ten-year period in Europe. Essity's Group target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2022, the outcome was 68%.

- **Climate-smart materials:** Essity strives to use more materials with lower greenhouse gas emissions. The largest share of greenhouse gas emissions from purchased raw materials is from fresh fiber and fossil-based plastic used in our products and packaging. We collaborate with our suppliers to develop sustainable products with a focus on alternative, renewable and recycled materials, and encourage them to establish targets and increase the use of renewable energy.
- **Fossil-fuel-free tissue production:** Our tissue manufacturing is an energy intensive process and one of our most important tasks

## Science Based Targets

### Target 2030 (compared with 2016):

- **Scope 1 and 2:**  
Target: -35% Outcome 2022: -18%
- **Scope 3:**  
Target: -18% Outcome 2021: -10%



to achieve net zero emissions by 2050 is therefore to become free from fossil fuels. To achieve this, measures include the increased use of low-carbon hydrogen, biomass, bio-gas, geothermal steam, and electrification of our tissue processes. Essity's production facilities in Kostheim, Germany, and Lilla Edet,

Sweden, are examples of how we strive to replace fossil fuels with renewable resources.

- **Resource efficiency:** Essity has extensive experience of working with resource efficiency, including in our M-Save and E-Save programs that focus on material and energy efficiency



With the Libero brand, Essity offers a climate-smart diaper comprising an absorbent insert and a washable cloth diaper. Compared with a standard diaper, the climate impact of the hybrid alternative is 35% less while the reduction in waste is 22%.

in our tissue manufacturing. The reduction in CO<sub>2</sub> emissions per ton produced between 2005 and 2022 was 23%. During the 2022 energy crisis, we took additional measures such as investing in our capability to utilize a wider variety of fuels, enabling us to react quickly to peak market prices, and conducted global training courses on the most effective ways to reduce energy use.

- **Breakthrough technology:** In 2021, Essity began tissue manufacturing using pulp from wheat straw. Essity's facility in Mannheim, Germany, is the world's first facility in the tissue industry to use these agricultural by-products for large-scale production. We are also exploring future tissue technology to reduce resources used in our production.

- **Zero production waste:** Essity acts to make production waste a valuable resource and reduce our greenhouse gas emissions at the same time. The target for 2030 is that all production waste will be subject to material and energy recovery. In 2022, the total amount of production waste decreased, and 62% was recycled.

- **Clean transport:** We continue to reduce emissions in our transportation network by maximizing the load-fill, optimizing routes, and gradually switching to lower emission fuels. We are integrating sustainability into Essity's global transportation model by adding emission factors as a way toward optimizing our load planning.

- **Less waste after use:** To reduce waste from our products and packaging, Essity is developing innovative solutions to reduce consumption as well as new business models for recycling after use. To address recycling, we have improved the recyclability of our paper and plastic packaging. We offer compostable tissue products to reduce waste and the Tork PaperCircle recycling service has been expanded to ten markets.

To ensure that we meet our targets, Essity has appointed a steering committee led by members of the Executive Management Team. Additionally, we are identifying the impact of climate change on Essity's business using the TCFD framework. Read more under Risk and risk management on pages 46–48.

ships where we develop new solutions that lead to less waste.

### Packaging

Essity has ambitious targets to reduce the total amount of primary plastic in the company's packaging, to increase the use of renewable or recycled plastic and to make all plastic packaging recyclable. Our packaging strategy includes innovating for increased circularity while simultaneously reducing existing greenhouse gas emissions.

- In 2022, Essity's packaging for hygiene and health products contained on average 80% renewable or recycled material. By 2025, we aim to achieve 100% recyclability, 85% renewable or recycled materials in our packaging, of which 25% recycled content in plastic packaging.
- We reduce our carbon footprint primarily by using recycled plastic packaging materials. To achieve more rapid results in the development of better packaging material, Essity is part of the Ellen MacArthur Foundation and Circular Plastic Alliance, among other organizations.

The UN began negotiations for an International legally binding instrument to end plastic pollution in November 2022. This global treaty will focus on all plastic products, including packaging. The multilateral negotiations on the treaty are expected to conclude in mid-2025. Essity joined the Business Coalition for a Global Plastics Treaty. This new Coalition led by the Ellen MacArthur Foundation and WWF endorses a common vision, by providing a clear voice in the treaty negotiations to amplify the call for an ambitious and effective global treaty.



### Plastic

The production of fossil plastic has a negative impact on our planet as it releases carbon emissions into the atmosphere and thereby accelerates the existing climate crisis. Plastic waste and pollutants threaten human welfare as well as wildlife and biodiversity. Nations worldwide, with the European Union (EU) at the frontline, are placing bans on single-use plastics and transitioning toward a more circular economy that considers every stage of a product's journey – before and after it reaches the customers and consumers. In parallel, plastic is required to ensure necessary levels of sanitation, safety and functionality for hygiene and health products. Our industry must change how we design, use, and reuse plastic by shifting from linear to circular business models. This calls for creative thinking, new business models and partner-



## Plastic in our products

Essity aims to reduce and replace primary fossil-based plastics in our products and minimize the waste in our production and after use. By developing smarter designs, new services, and innovating to find alternative materials, we ensure less use of primary fossil plastic in general, less single-use plastic in particular, while also reducing the environmental impact through the product life cycle.

Essity constantly reviews product design to enable more sustainable consumption. One example is how we dispense our Tork tissue, which can reduce tissue consumption by more than 25%. In 2022, TENA Lights Sensitive were also launched, where the pads come in a re-

newable paper packaging contributing to less plastic waste and reducing the carbon footprint by using at least 50% plant-based materials in products and packaging.

We are broadening our collaboration with customers and consumers to better understand how we can support their sustainability strategies and targets, while helping them make more sustainable choices. Essity aims to create more value using less resources and innovate and design products that fit into a circular society. We strive to replace primary fossil-based plastics with renewable materials derived from plants such as corn or sugar cane.

## Waste

To reduce waste arising from Essity's production and waste after use, we are developing products and packaging containing less primary fossil-based plastic and more circular solutions.

### Production waste

The target is that all production waste will be subject to material and energy recovery by 2030. Recycling or extracting energy from the waste instead of sending waste to landfill reduces greenhouse gas emissions. For example, recovered material from tissue manufacturing can be used as raw material for other industries, such as in the construction industry.

## Waste after use

We can create less waste after use through the principles Reduce, Reuse and Recycle. Essity strives to be more resource efficient, develop smarter designs and reduce materials in our products and packaging. Our services are constantly improving, and new designs are utilized to reduce waste, and thereby cut greenhouse gas emissions.

Most of our packaging is recyclable and we are working to optimize other packaging. We are reducing and replacing primary fossil-based plastic in our packaging and products with renewable or recycled materials. Essity is also working to develop smarter designs and innovative plastic materials to reduce envi-



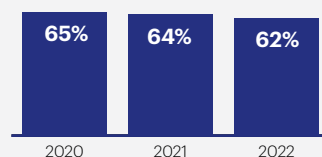
In 2021, Essity joined the Digital Watermarks Initiative HolyGrail 2.0, which addresses the issue of plastic waste, and we are striving to introduce a digital watermark to improve sorting and increase the recycling rate of plastic packaging in the EU. An invisible watermark on packaging helps waste sorting facilities to identify the type of plastic and sort it correctly.

### Production waste

Subject to material or energy recovery

**Target 2030: 100%**

**Outcome:**



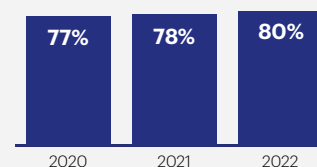
Resource efficiency and the reduction of waste are important in Essity's production facilities. The target is that all production waste will be subject to material and energy recovery by 2030, which reduces greenhouse gas emissions.

### Packaging

Share of packaging manufactured from renewable and/or recycled material

**Target 2025: 85%**

**Outcome:**



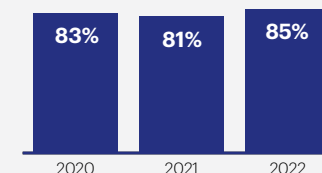
Essity is striving for 85% renewable and/or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands.

1) Packaging is recyclable using existing infrastructures.

Share of technically recyclable packaging<sup>1)</sup>

**Target 2025: 100%**

**Outcome:**



In 2022, Essity estimated the technical recyclability of a large portion of the company's packaging. Essity has thereby improved packaging design to facilitate recycling using existing infrastructures.

ronmental impact. We are cooperating with customers, consumers, suppliers, and other partners to identify more sustainable and circular solutions. A challenge in many markets is the lack of infrastructure for collecting used packaging or products. Essity therefore supports national initiatives for large-scale recycling of packaging.

### Circularity

Essity has integrated circularity in the company's business model, from responsible raw material procurement, more resource-efficient production with a smaller climate footprint, to circular solutions that enable customers and consumers to minimize waste.

We carry out circularity assessments as part of the innovation process to obtain a better understanding of how waste can be avoided during and after use. One example is TENA SmartCare, where product use is optimized and waste reduced through digital monitoring so the product is replaced at the right time and fewer and thinner products are used.

### Water consumption

Water shortages and contaminated water have a negative impact on people, societies and the environment, and unsustainable water use could lead to the loss of biodiversity. This also affects Essity's operations. Water risks differ around the world, and we assess risks and impacts individually for our tissue production facilities, both from a geographic and an operating perspective. Water is mainly needed for transporting fiber during the production process. We circulate water several times in production to help reduce energy use for heat-

ing and treatment of water. Most of the water is treated after use and is discharged.

Environmental permits for tissue plants also include limits for typical pollutants, such as chemical oxygen demand, phosphorus and nitrogen. Essity is investing in new wastewater treatment technology to meet the higher requirements on quality of discharged water. This is particularly important in locations where water is a resource shared with many different users, such as along major rivers, where the temperature of the water released must also be carefully monitored. For a number of years, we have actively worked to reduce the amount of water used and the levels of suspended solids and organic content (BOD), with a main focus on improving our water management.

### Partnership to reduce environmental impact

Essity works together with various players such as non-governmental organizations (NGOs) on both environmental and social issues, inter-governmental organizations (IGOs) such as the World Health Organization, European Union, and the OECD, as well as with trade and industry associations.

Essity has been a member of the UN Global Compact Action Platform on Climate Ambition since 2017. The platform provides an opportunity for collaboration between companies and important stakeholders to address the issues of limiting and adapting to climate change.

We take part in discussions throughout the value chain to promote the implementation of circular economy solutions designed to tackle waste, including the CGF, Edana, Ellen MacArthur Foundation and RecyClass. Through CGF's



Coalition of Action on Plastic Waste, Essity works together with customers, other companies, and organizations to jointly reduce plastic waste and strive to improve social systems, so that no plastic waste is disposed in nature.

Essity is a partner in the Ellen MacArthur Foundation's Network, which provides a forum to share, learn and implement ideas to imple-

ment and scale circular economy solutions for products, packaging, and services, and to jointly promote societal change. We are part of the New Plastic Economy initiative, which is aligned with and impacts external prerequisites for Essity's target to ensure that all packaging is 100% recyclable and to increase the use of recycled plastic by 2025.

# Sustainability governance

Sustainability is incorporated throughout Essity's operations and forms an integrated part of the Group's overall corporate governance.

## Purpose, implementation and follow-up

The purpose of Essity's sustainability governance is to ensure the company's commitments to its stakeholders, including customers, consumers, employees, shareholders, suppliers, investors, decision makers and representatives from society. The company's commitments are expressed in targets, strategy and priorities. The Board of Directors has established sustainability targets that are regularly monitored and reported annually. Essity maintains an active and continuous dialogue with internal and external stakeholders to ensure priorities and methods over time. Based on well-defined areas of responsibility and follow-up, we ensure that we deliver on established sustainability

targets. To tackle increasing sustainability challenges, Essity continuously develops its ambitions in dialogue with stakeholders and external experts.

Since sustainability is an integrated part of Essity's strategy and operations, the internal audit also encompasses sustainability. Essity's Annual and Sustainability Report is also included in our external auditor's review. Read more on page 156.

## Public policy, regulations and internal steering documents

Essity's prioritized sustainability topics, strategies and targets are a result of the company's internal work and dialogue with a multitude of important external stakeholders and partners such as businesses, governments, consumers, NGOs, media, and the academic world. These are also aligned with a range of different principles and guiding frameworks. In addition to external frameworks and principles,

Essity has several external certifications and ISO standards as well as internal policies and guidelines that ensure the company has well-defined management systems in place to monitor the company's results.

Essity has developed positions in the form of position papers in which we state our views on key topics. These are available at [www.essity.com/sustainability](http://www.essity.com/sustainability).

### Guiding external frameworks and principles

- UN Sustainable Development Goals (SDGs)
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- ILO Core Conventions Policies and guidelines

### Guiding internal frameworks and principles

- Code of Conduct
- Sustainability Policy
- Anti-bribery and Corruption Policy
- Fiber Sourcing Policy
- Diversity Policy
- Global Supplier Standard
- Health and Safety Instruction

## EU taxonomy

As part of the EU's green growth strategy, the EU taxonomy came into effect in 2020. This is a classification tool for environmentally sustainable investments. Essity has analyzed its operations to comply with current and future disclosure requirements. The company's sales (turnover), capital expenditure and operating expenditure are to be reported in accordance with Nomenclature of Economic Activities (NACE) codes. The EU is yet to determine which economic activities are to be deemed environmentally sustainable under each NACE code.

The same applies to additional subordinate economic activities identified in the analysis of Essity's sales, capital expenditure and operating expenditure. Most of Essity's economic operations can be allocated to the pulp and paper industry. Essity's sales (turnover), capital expenditure and operating expenditure are therefore not covered by the taxonomy directive for this reporting period. For taxonomy tables, see note H15 on pages 146–147.

## Sustainability indexes and rankings

Essity voluntarily takes part in rankings of the company's sustainability work, as we believe this strengthens efforts moving forward. A summary is presented below of our scores in some of the most important rankings and ratings.

### Sustainability indexes and rankings



Essity was awarded a Platinum Medal in the 2022 Ecovadis CSR Rating for the second consecutive year.



#### FTSE4Good

Essity has been listed on the FTSE4Good Global Sustainability Index since 2001.



In 2022, Essity was awarded a place on CDP's A List for its work in combating deforestation and was mentioned as leading in its management of climate change, with an A-.



In 2023, Essity was included in S&P Global's Sustainability Yearbook for its sustainability work in 2022.

#### Corporate Knights

Essity has once again been recognized as one of the world's 100 most sustainable companies by Corporate Knights.

### Essity's sustainability governance<sup>1)</sup>



1) Significant functions in the company that influence sustainability work. For complete information on corporate governance, see page 62.

2) The Compliance Council also reports regularly to the Board of Directors.



# Corporate governance

The task of corporate governance is to ensure the company's commitments to all of its stakeholders: shareholders, customers, suppliers, creditors, society and employees. It must be structured in a way that supports the company's long-term strategy, market presence and competitiveness. Corporate governance shall

be reliable, clear, simple and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for Essity's 2022 Annual and Sustainability Report. The report has been reviewed by the company's auditors.

## Governance at Essity

### 1. Shares and shareholders

Essity has engaged Euroclear Sweden AB to maintain the company's shareholders' register. On December 31, 2022, Essity had 111,241 shareholders. The five largest shareholders in terms of voting rights on this date were AB Industrivärden (29.6%), Norges Bank Investment Management (6.8%), AMF Försäkring och Fonder (6.6%), Swedbank Robur Funds (2.8%) and MFS Investment Management (2.8%). Essity has two listed classes of shares: Class A and Class B shares. Every Class A share represents ten votes while every Class B share represents one vote. There are no other restrictions to voting rights in respect of shares used by shareholders at the general shareholders meeting. The two share classes carry the same entitlement to the company's assets and profits. Furthermore, according to the Articles of Association, owners of Class A shares are entitled to request conversion of their Class A shares to Class B shares. The 2022 Annual General Meeting (AGM) authorized the Board of Directors, for the period until the 2023 AGM, to decide on the repurchase of Class B Essity shares. Essity has not utilized this share repurchase mandate and holds no treasury shares.

### 2. General shareholder meeting

The general shareholder meeting is Essity's highest decision-making body, which all of the company's shareholders are entitled to attend, to have a matter considered and to vote for all shares held by the shareholder. The company's Board of Directors and auditor are elected at the AGM. The AGM also resolves on the remuneration of the Board members, determines guidelines for the remuneration of senior executives and approves the Board's annual remuneration report.

### 3. Nomination Committee

Shareholders appoint members of the Nomination Committee at the AGM, or stipulate how the members shall be appointed. The Nomination Committee represents the company's shareholders. A majority of the members shall be independent of the company and corporate management. The President and other members of corporate management may not be a member of the Nomination Committee. The main duty of the Nomination Committee is to prepare and present proposals for the AGM's resolutions with respect to election and remuneration matters.

### 4. External auditors

Essity's auditor is elected at the AGM and is responsible for reviewing the company's Annual and Sustainability Report and consolidated financial statements and the Board's and President's administration. The auditor conducts a limited review of the company's sustainability report and corporate governance report as well as the company's half-year report. The auditor submits an audit report from this review. The auditor also submits a statement concerning compliance with the company's guidelines for remuneration of senior executives. The audit is performed in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden.

### 5. Board of Directors

The Board of Directors is elected by the shareholders at the AGM and has overall responsibility for the Company's organization and administration. This responsibility is fulfilled, inter alia, through regular monitoring of the business and by ensuring the appropriateness of the organization and the management

#### Corporate governance, pages 62–71

This section describes applicable regulatory rules and regulations for the Group's corporate governance and the company's management structure and organization. It details the Board of Directors' responsibilities and its work during the year. It also contains a description of Essity's internal control with regard to financial reporting. Essity applies the Swedish Corporate Governance Code without any deviations ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)).

#### Risk management, pages 40–48

Essity's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and central level. These sections dealing with risk management describe the most significant risks and measures taken to eliminate or limit these risks.

#### Sustainability, pages 50–61 and 138–147

Essity's sustainability work is an integral part of the company's business model. The company's statutory sustainability report forms part of the Board of Directors' Report. Sustainability work contributes to a sustainable and circular society, reduces risks, strengthens competitiveness, and attracts new employees and investors.

**More detailed information about Essity's corporate governance is available on [www.essity.com](http://www.essity.com)**

- Articles of Association
- Swedish Corporate Governance Code
- Information from the Nomination Committee ahead of the 2023 Annual General Meeting (composition, proposals and work)
- Other information ahead of the 2023 AGM (notice, remuneration report and information about routines for notifying attendance at the AGM, etc.)



team, and by issuing guidelines and reporting from the internal audit. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters. Furthermore, the Board annually prepares a report on the remuneration that has been paid or is pending payment in accordance with the remuneration guidelines decided by the AGM. The Board of Directors comprises ten members with no deputies. According to the Articles of Association, the Board of Directors is to consist of not less than three and not more than twelve members elected by the AGM. The Board of Directors also includes three employee representatives with deputies, who are appointed by the respective employee organizations under Swedish law.

Essity's Articles of Association contain no pro-

visions regarding appointment or dismissal of Board members or amendments to the Articles.

### Chairman of the Board

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

### 6. Audit Committee

The role of the Audit Committee is to monitor the company's financial reporting and provide recommendations and proposals to ensure the reliability of reporting. With regard to the financial reporting, the Committee oversees the effectiveness of the company's internal control, internal audit and risk management. The Audit Committee keeps itself continuously informed about the audit of the Annual and Sustainability Report and consolidated financial statements and about the conclusions of the quality control by the Swedish Inspectorate of Auditors concerning the company's external auditor. The Committee receives and addresses the supplementary report to the audit report concerning the conducted audit that the auditor submits in accordance with the EU Audit Regulation. The Audit Committee informs the Board of its observations and the results of the audit. The Audit Committee also examines and monitors the impartiality and independence of the auditor. In respect to this, particular attention is paid to whether the auditor is providing the company with services other than auditing services. The Committee also assesses the work of the auditor and provides proposals to the company's Nomination Committee concerning the appointment of auditor for the following mandate period. Members of the Audit Committee are not employed by the company and at least one member has accounting or auditing expertise.

### 7. Remuneration Committee

The Remuneration Committee drafts the Board's motions on issues relating to remuneration principles, remuneration and other terms and conditions of employment for the President and is authorized to make decisions in these matters for the company's other senior executives. The Committee monitors and assesses programs for variable remuneration, the

application of the AGM's resolution on guidelines for remuneration of senior executives and evaluates the applicable remuneration structure and remuneration levels in the Group. The Remuneration Committee also prepares the annual remuneration report.

### 8. Portfolio Development Committee

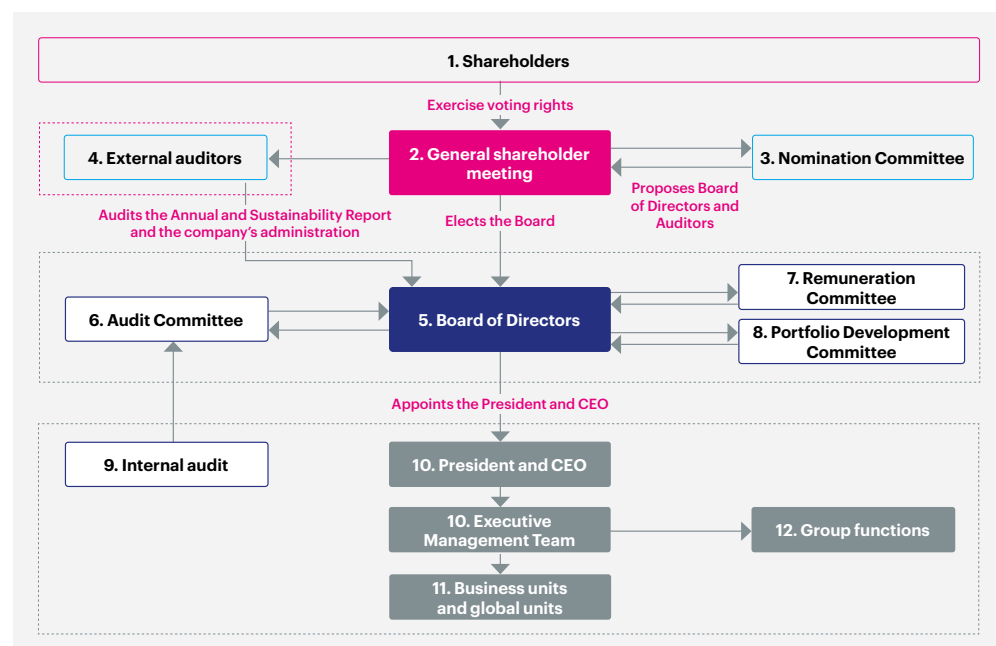
The Portfolio Development Committee is tasked with preparing the Board's deliberations and resolutions in relation to general portfolio and acquisition issues and to prepare and propose strategies relating to such issues. When deemed appropriate, the Board may, to a certain extent, delegate decision-making power in these matters to the committee.

### 9. Internal audit

The internal audit assists the Group in improving and protecting the organization's value through a risk-based, independent and objective assurance and consultancy services. The internal audit also reports to the Audit Committee and to the Board in relation to internal audit issues. The audit field encompasses both financial and operational aspects across all of Essity. The internal audit also provides investigations and consultancy services in connection with internal control matters and risk management.

### 10. President and Executive Management Team

Essity's President and CEO is responsible for the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President is supported by the Executive Management Team, see pages 70–71, the work of which is led by the President. The Executive Management Team comprises the President, five Group Function Senior Vice Presidents, four Business Unit Presidents and the Presidents of the three global units. The Executive Management Team holds regular meetings



## Rules and regulations

### *Certain internal rules and regulations*

- Articles of Association
- Working procedures of the Board of Directors, including instructions for the Audit Committee, Remuneration Committee and Portfolio Development Committee, respectively.
- Terms of reference issued by the Board to the President
- Code of Conduct
- Policy documents and instructions (in areas such as finance, HR, sustainability, internal control, communication, pension and risk management as well as for specific issues, such as the processing of personal data, insider issues, conflicts of interest, competition law, corruption and diversity).

### *Certain external rules and regulations*

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- International Financial Reporting Standards (IFRS)
- EU Market Abuse Regulation (MAR)
- Nasdaq Stockholm's rulebook for issuers
- Swedish Corporate Governance Code

### *Compliance with stock market regulations*

Essity complies with rules that apply in Sweden for listed companies and was not sanctioned by Finansinspektionen, the stock exchange's disciplinary committee or any other authority or self-regulating body for violations of the rules concerning the stock market.

during the year to discuss and coordinate matters such as the business areas' economic development and budgets, important projects, strategy issues, sustainability issues and corporate culture. The Executive Management Team also has an advisory role for the President.

The working procedures for the Board of Directors and terms of reference issued by the Board of Directors to the President detail, for example, the division of work between the Board and President. In consultation with the Chairman and Secretary of the Board, the President prepares documentation and decision data for the Board's work.

### **11. Business units and global units**

Essity has four business units:

- Consumer Goods Americas
- Consumer Goods EMEA
- Professional Hygiene
- Health & Medical

Furthermore, Essity has three global units:

- Global Brand, Innovation & Sustainability
- Global Supply Chain
- Global Digital & Business Services

These units are described in more detail on page 34.

Essity's business units and global units adhere to the principle of distinct decentralization of responsibility and authority. The business units and the global units have a delegated responsibility for managing and developing their respective operations through established objectives and strategies, a process that is also centrally coordinated. The business units are responsible for their operating results, capital and cash flow. The business and earnings position is followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are

conducted during which the management of each business unit personally meets with the President and the CFO. These meetings function as a complement to the daily monitoring of operations. Through working procedures and terms of reference, a number of issues of material significance are placed under the control of the President and the company's Board of Directors.

### **12. Group functions**

Essity has five Group functions:

- Communications
- Finance
- Human Resources
- Legal Affairs
- Strategy & Business Development

These have Group-wide responsibility for matters within their respective fields of responsibility, and coordinate with the corresponding functions in the respective business area or global unit.

## Activities during the year

### **Annual General Meeting**

Essity held its AGM in Stockholm on Thursday, March 24, 2022. The meeting was carried out solely via advance voting (postal voting) in accordance with temporary legislation.

The AGM elected the company's Board of Directors. Furthermore, guidelines for remuneration of the President and other senior executives were adopted, see Note C2 on pages 99–101. The Meeting also approved the Board's remuneration report for 2021.

### **Nomination Committee**

The Nomination Committee of Essity is tasked with making proposals to the AGM in respect of the election of the Chairman of the Meeting,

Board of Directors, Chairman of the Board and auditor, remuneration of each Board Member (divided between the Chairman of the Board and other Board Members), remuneration of the auditor and, where applicable, proposals for amendments to the instruction for the Nomination Committee. At the 2020 AGM, the following instructions to the Nomination Committee were adopted to apply until further notice:

"The Nomination Committee is to comprise representatives of the four largest shareholders, who express a wish to take part in the Nomination Committee, in terms of voting rights as per the shareholders' register maintained by the company on the final banking day of August, as well as the Chairman of the Board, who also convenes the first meeting of the Nomination Committee.

The member representing the largest shareholder in terms of votes is to be appointed as Chairman of the Nomination Committee. The Chairman of the Board shall not be Chairman of the Nomination Committee. If necessary, due to subsequent ownership changes, the Nomination Committee is entitled to call on one or two additional members from among the next largest shareholders in terms of voting rights. The total number of members shall be not more than seven. In the event that a member steps down from the Nomination Committee before the task is completed and the Nomination Committee decides it would be beneficial for a replacement to be appointed, such a replacement is to be appointed by the same shareholder or, if this shareholder is no longer among the largest shareholders in terms of voting rights, by the next largest shareholder in terms of voting rights. Changes to the composition of the Nomination Committee are to be disclosed immediately.

The composition of the Nomination Committee is to be announced by Essity no later than

six months prior to the AGM. No remuneration is to be paid to the members of the Nomination Committee. Any expenses incurred during the work of the Nomination Committee are to be paid by Essity. The mandate period of the Nomination Committee extends until the composition of the next Nomination Committee is disclosed. The Nomination Committee is to submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees for the Chairman of the Board and each of the other Board members, including remuneration for committee work, the company's auditor and auditor's fees and, to the extent deemed necessary, proposals for amendments to this instruction."

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

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2023 AGM is presented in the notice convening the AGM available on Essity's website [www.essity.com](http://www.essity.com). The 2023 AGM will be held on Wednesday, March 29, see page 10.

The Nomination Committee was convened on six occasions prior to the 2023 AGM. The Chairman of the Board presented the Board

evaluation and provided the Nomination Committee with information regarding Board and committee work during the year. When preparing proposals for the Board for the 2023 AGM, particular attention has been paid to the issues of diversity and an even gender distribution, and the Nomination Committee thus applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. When preparing its proposal for the election of auditors, the Nomination Committee also gave consideration to the recommendation of the Audit Committee.

#### Board of Directors and composition of the Board of Directors

Essity's Board of Directors comprises ten members elected by the AGM. Ewa Björling, Pär Boman, Annemarie Gardshol, Magnus Groth, Bjørn Gulden, Torbjörn Lööf, Bert Nordberg, Louise Svanberg, Lars Rebie Sørensen and Barbara Milian Thoralfsson were elected as Board members in 2022. Pär Boman was elected as the Chairman of the Board.

The independence of Board members is presented in the table on page 66. Essity complies with the requirements of the Swedish Corporate Governance Code that stipulate that not more than one member elected by the AGM shall be a member of corporate management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of

the company's major shareholders. All of the AGM-elected Board members have experience and a good understanding of the requirements incumbent upon a listed company. Four of the Board members are women, corresponding to 40% of the total number of AGM-elected Board members. The employees have appointed Susanna Lind, Örjan Svensson and Niclas Thulin as representatives to the Board for the period until and including the 2023 AGM, and their deputies Niklas Engdahl, Martin Ericsson and Andreas Larsson.

The AGM-elected Board members have broad international experience from various cultural and geographic areas and wide-reaching expertise and experience of relevance to Essity's areas of business and products. Accordingly, the Board has – with reference to the company's business, stage of development and general situation – a suitable composition. In addition, the Board of Directors and its Audit Committee and Remuneration Committee have an even gender distribution.

#### Board activities

The Board was convened 11 times during the year. The Board has fixed working procedures that describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, sustainability issues, investments and adoption of the financial reports. The Board also establishes and evaluates the company's overall targets and strategy and decides on significant internal rules. Another key task is to continuously monitor the internal control of the compliance of the company and its employees with relevant internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout

the year, the Board has also dealt with reports from the Audit and Remuneration Committees and reports on strategy, market, internal audit, internal control and financial operations. The company's auditor regularly presents a report on its audit work and these issues are discussed by the Board. The Business Unit Presidents present their respective operations and current issues affecting them.

In 2022, in addition to customary Board work, the Board of Directors continued to maintain a strong focus on digitalization, portfolio-related issues and sustainability, and closely monitored developments in view of the situation in Ukraine and Russia. The Board also focused on strategy work during the autumn.

#### Evaluation of the Board's work

The work of the Board, like that of the President and the Chairman, is evaluated annually using a systematic and structured process. The purpose of this work is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. External expertise were used and the evaluation took the form of an anonymous questionnaire and interviews as well as group and individual discussions. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work.

The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the results of the evaluation.

#### Audit Committee

The Audit Committee comprises Barbara Milian Thoralfsson (Chairman), Pär Boman and Ewa Björling. In 2022, the Audit Committee held nine meetings. In addition, members have also held meetings with internal audit, the auditors

#### Nomination Committee for the 2023 AGM

Member	Representative of	Votes as of August 31, 2022 (%)
Helena Stjernholm, Chairman	AB Industrivärden	29.6
Anders Oscarsson	AMF and AMF Funds	7.2
Ola Peter Krohn Gjessing	Norges Bank Investment Management	6.5
Marianne Nilsson	Swedbank Robur Funds	2.9
Pär Boman	Chairman of the Board	

and the CFO. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work, risk management, a review of various valuation matters, such as testing of impairment requirements for goodwill, and the preconditions for the year's pension liability calculations. In addition, the Committee addressed issues relating to sustainability reporting. The Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors.

### Remuneration Committee

The Remuneration Committee comprises Pär Boman (Chairman), Bert Nordberg and Louise Svanberg. The Remuneration Committee held six meetings in 2022. Activities mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group. In addition, the Committee prepared the Board's remuneration report relating to remuneration of senior executives.

ation report relating to remuneration of senior executives.

### Portfolio Development Committee

The Portfolio Development Committee consists of Bert Nordberg (Chairman), Pär Boman, Torbjörn Lööf and Lars Rebien Sørensen. The Remuneration Committee held eight meetings in 2022. During 2022, the Committee held discussions with the President and parts of corporate management in relation to such issues as the company's portfolio and acquisition strategy.

### Internal audit

The basis of the work of the internal audit is a risk analysis based on external and internal information carried out in close dialogue with management teams at Essity. The risk evaluation forms the basis of an audit plan, which is presented to the Audit Committee together with the risk analysis. In 2022, 126 audit projects were performed and reported at meetings with the Audit Committee.

Work in 2022 involved follow-up of the units' progress with process-based control, efficiency in internal governance and control, major investments, information security, sustainability and compliance with Essity's policies.

### External auditor

The 2022 AGM appointed the accounting firm of Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Hamish Mabon, Authorized Public Accountant, would be the auditor in charge. Hamish Mabon is also the auditor and has major assignments for SEB, Skanska AB and Assa Abloy AB. He owns no shares in the company.

In accordance with its formal work plan, the Board met with the auditor at three scheduled Board meetings in 2022. The auditor also attended each meeting of the Audit Committee. At these meetings, the auditor presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditor delivered an in-depth verbal report on the audit for the year. The working procedures specify a number of mandatory issues that must be addressed. These include matters of importance that have been a cause of discussion or concern during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting methods. The auditor shall also disclose consultancy work conducted for Essity as well as other dependencies in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the discussion on the accounts take place without representatives of corporate management being present.

## Remuneration, Management and Board of Directors

### Guidelines

The 2022 AGM adopted new guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable compensation and other benefits, and pension, see Note C2 on pages 99–101.

### Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in a separate remuneration report, which is available on the company's website and on pages 157–158. Furthermore, remuneration of the President and other senior executives is described in Note C2 on pages 99–101.

### Remuneration of the Board

The total remuneration of the AGM-elected Board members amounted to SEK 12,030,000 in accordance with the AGM's resolution. See Note C3 on page 101 for further information.

## Internal control and financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting. The purpose of these requirements is to create an internal framework for governance and control to reduce the risk of error in the financial reporting. Essity's processes for internal control of financial reporting is based on the model and principles developed

Committees						Attendance <sup>1)</sup>			
Board of Directors	Elected	Dependence	Audit Committee	Remuneration Committee	Portfolio Development Committee	Board of Directors (11)	Audit Committee (9)	Remuneration Committee (6)	Portfolio Development Committee (8)
Ewa Björling	2016		x			11/11	8/8		
Pär Boman	2016	■	x	Chairman	x	11/11	9/9	6/6	8/8
Annemarie Gardshol	2016					11/11			
Magnus Groth	2016	■				11/11			
Björn Gulden (From March 24)	2022					6/8			
Torbjörn Lööf	2021				x	11/11			8/8
Bert Nordberg	2016			x	Chairman	11/11	1/1	6/6	8/8
Louise Svanberg	2016			x		10/11		6/6	
Lars Rebien Sørensen	2017				x	9/11			7/8
Barbara Milian Thoralfsson	2016		Chairman			11/11	9/9		

1) Board meetings January 1–December 31, 2022.

■ = Dependent in relation to the company's major shareholder, AB Industrivärden.

■ = President of Essity, dependent in relation to the company and corporate management.



by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

### Control environment

A good control environment requires clarity in relation to decision-making paths, powers and accountability, in addition to a corporate culture characterized by strong values and awareness among employees of their role in maintaining good internal control. The Board of Directors has the overall responsibility for ensuring effective internal control and has, inter alia, adopted Group-wide internal rules for the purpose of establishing a foundation for a good corporate culture and to assure the quality of the financial reporting. In this context, Essity's Code of Conduct is an important steering document in issues concerning ethics, morality and regulatory compliance, and employees regularly receive information and training regarding the Code. Other significant steering documents for the control environment include the Finance Policy, Internal Control Policy, Communications Policy and Information Security Policy. Essity's Financial Reporting Manual is particularly important for the Group's financial reporting procedures as it contains a number of specific instructions and guidelines that are specially designed to ensure the quality of the financial reporting. Important steering documents are published in a separate database (Global Management System, GMS) that also contains a process for annual updates to the documents.

### Risk assessment

Risks relate to material errors in the financial reporting that may arise, such as incomplete disclosures, valuation issues, the reporting process and correctness. Risks also include loss of assets, unduly favoring a third party and misappropriation.

Risks related to the financial reporting are evaluated and monitored by the Board via the Audit Committee, where an annual risk assessment is conducted. The risks that are identified and may result in material errors also form the basis for internal control activities that proactively manage these risks. Clear guidelines for accountability and the division of work also form a component of risk prevention efforts. Furthermore, measures are continuously taken to improve business processes and thus reduce risks.

### Control activities

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Function Finance and are easily accessible on the Group's intranet. The Group Function Finance is responsible for ensuring compliance with instructions and guidelines. Process managers at various levels within Essity are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business unit's controller organizations, which are responsible for ensuring that financial reporting from each unit is correct and complete, and is conducted within the specified time. In addition, each business unit has a Finance Manager with responsibility for the individual business unit's financial reporting. The company's control activities are supported by the budgets prepared by each business unit and updated during the year through continuous forecasts. Essity has a standardized system of control measures involving processes that are significant to the company's financial reporting. These measures include company-wide controls related to the Code of Conduct, process controls and IT controls. Self-assessments are carried out based on a selection of critical controls for the respective

operations in order to assess the effectiveness of the internal control and governance.

### Information and communication

#### *Financial reporting to the Board*

The Board's working procedures stipulate which reports and information of a financial nature are to be submitted to the Board at each scheduled meeting. The President, together with the Chairman, ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

#### *Internal reporting*

Ahead of each interim report, the company's finance department prepares detailed instructions regarding deadlines, changes to accounting principles and other circumstances of significance for reporting to ensure the quality of the financial statements. Furthermore, the company has a process and technical system support to limit the risk of price-sensitive information being leaked in conjunction with the submission of financial information ahead of the issue of interim reports.

Accounting and reporting for the majority of units is carried out by Essity's Shared Service Center, which ensures efficient and uniform reporting.

#### *External financial reporting*

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President is responsible for ensuring that all information communicated, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibility

ties of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the half-year report and of the company's administration and internal control is carried out.

### Monitoring activities

Essity's Board of Directors, through the Audit Committee, as well as the corporate management continuously assesses the effectiveness of the processes applied by the company with respect to the internal control of the financial reporting. Of particular importance to this assessment are the reports submitted by the internal audit and feedback from the company's external auditor.

The company has a structured process within the scope of its day-to-day operations for monitoring significant observations from internal control or internal audit. Such observations and the status of measures taken to address these are regularly reported to corporate management and to the Audit Committee.

The results of the self-assessment in control activities are compiled in a list of activities that require resolution. The internal control and governance department lead these monitoring activities. To ensure the quality of the self-assessment, internal control conducts its own testing of control activities and reports the results to the units, the internal control and governance department, corporate management and the Audit Committee.

The external auditor also carries out testing of internal control and governance within the scope of its audit. The results are shared with corporate management, the internal control and governance department and the Audit Committee.

# Board of Directors and Auditors

## Elected by the Annual General Meeting



### **Pär Boman** (1961)

Engineering and Business Administration degrees, Hon. D.B.  
Chairman of the Board since 2016.  
Chairman of the Board of Svenska Handelsbanken AB and Svenska Cellulosa Aktiebolaget SCA, Deputy Chairman of the Board of AB Industrivärden and member of the Board of Skanska AB. 2006–2015 President of Handelsbanken.  
Elected: 2016  
Independent of the company and corporate management.  
Own shareholdings and those of related persons,  
Class B shares: 5,000



### **Ewa Björling** (1961)

Med. Dr. Sci. and Associate Professor from Karolinska Institutet.  
Chairman of the Board of Xolaris AB. Member of the Board of Biogaia AB and Nynäs petroleum AB.  
Former member of the Board of Svenska Cellulosa Aktiebolaget SCA, the Swedish National Insurance Office and the Swedish International Development Cooperation Agency (SIDA). Former Chairman of SPBI (Svenska Petroleum och Biodrivmedelsinstitutet). Minister for Trade 2007–2014, and Minister for Nordic Cooperation 2010–2014. Former researcher at Karolinska Institutet.  
Elected: 2016  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons: 0



### **Annemarie Gardshol** (1967)

MSc Eng.  
Member of the Board of Svenska Cellulosa Aktiebolaget SCA. CEO of PostNord.  
Former member of the Boards of Etac AB, Bygghemma AB, Ortivus and Semcon. Former President of PostNord Sverige, PostNord Strålfors Group AB and various management positions in Gambro AB and McKinsey & Company.  
Elected: 2016  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons,  
Class B shares: 4,100



### **Bjørn Gulden** (1965)

Bachelor's Degree in Business & Administration and MBA in Finance and Marketing  
President and CEO of Adidas. Member of the Board of Borussia Dortmund GmbH & Co.KGAA. Chairman of Salling Group.  
Previously various positions at Puma, Deichmann, Helly Hansen, Adidas and Pandora. Previously member of the Boards of several companies, including Pandora, Ekornes and Helly Hansen.  
Elected: 2022  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons: 0



### **Torbjörn Lööf** (1965)

Technician  
Member of the Board of AB Blåkläder.  
Former President of Inter IKEA Group 2016–2020, Inter IKEA Systems 2013–2016 and IKEA of Sweden 2007–2013. Previously held various senior positions within IKEA since 1999. Former Chairman of the Board in a number of IKEA Group companies 2013–2020 and member of the Board of Inter IKEA Holding 2016–2020.  
Elected: 2021  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons,  
Class B shares: 8,500



### **Bert Nordberg** (1956)

Engineer  
Chairman of the Board of Vestas Wind Systems A/S. Member of the Board of SAAB.  
Previously held various management positions in Digital Equipment Corp. and Ericsson, President of Sony Mobile Communications AB 2009–2012. Former Chairman of the Boards of Sony Mobile Communications and TDC Group A/S and member of the Boards of BlackBerry Ltd, Skistar AB, Axis AB and AB Electrolux.  
Elected: 2016  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons,  
Class B shares: 36,800



### **Louise Svanberg** (1958)

MSc Econ  
Member of the Boards of Dana Farber Cancer Institute, Boston and CERAS Health, New York. Chairman of the Swedes Worldwide organization. Previously held various management positions in EF Education First, including President 2002–2008 and Chairman of the Board 2008–2010. Former member of the Board of Svenska Cellulosa Aktiebolaget SCA.  
Elected: 2016  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons,  
Class B shares: 28,540



### **Lars Rebie Sørensen** (1954)

BSc Forestry and MSc Econ.  
Chairman of Axcel, Novo Holding A/S, Novo Nordisk Foundation and Ferring Pharmaceuticals. Member of the Boards of Jungbunzlauer and Thermo Fisher Scientific Inc.  
Former Deputy Chairman of the Board of Carlsberg A/S, President and CEO of Novo Nordisk 2000–2016.  
Elected: 2017  
Independent of the company, corporate management and Essity's major shareholders.  
Own shareholdings and those of related persons: 0

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2022.



### Barbara Milian Thoralfsson (1959)

MBA, BA

Chairman of the Board of Exclusive Networks SA. Member of the Board of Hilti AG and Svenska Cellulosa Aktiebolaget SCA. Member of the Advisory Board Sparebank 1 Markets. Former President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Former member of the Boards of Cable & Wireless Plc, AB Electrolux, G4S Plc, Orkla ASA, Tandberg ASA and Telenor ASA. Elected: 2016

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

Own shareholdings and those of related persons, Class B shares: 1,000



### Magnus Groth (1963)

MBA and MSc ME

President and CEO of Essity.

Former President and CEO of SCA 2015–2017, former President of SCA Consumer Goods Europe 2011–2015. President of Studsvik AB (publ) 2006–2011 and SVP of Vattenfall 2001–2005. Former member of the Board of Acando AB and Svenska Cellulosa Aktiebolaget SCA.

Elected: 2016

Independent of Essity's major shareholders.

Own shareholdings and those of related persons, Class B shares: 76,000

## Board members and deputies appointed by trade unions



### Susanna Lind (1966)

Operator at Essity Hygiene and Health AB, Falkenberg. Member of the Swedish Trade Union Confederation (LO).

Appointed: 2019

Own shareholdings and those of related persons, Class B shares: 120



### Örjan Svensson (1963)

Senior Industrial Safety Representative at Essity Hygiene and Health AB, Edet Bruk, Lilla Edet. Member of the Swedish Trade Union Confederation (LO).

Former member of the Board of Svenska Cellulosa Aktiebolaget SCA 2005–2017.

Appointed: 2017

Own shareholdings and those of related persons, Class B shares: 112



### Niclas Thulin (1976)

Senior IT Business Analyst at Essity Hygiene and Health AB, Gothenburg.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2017

Own shareholdings and those of related persons, Class B shares: 36

## Deputies

### Niklas Engdahl (1980)

Employed at Essity Hygiene and Health AB, Lilla Edet.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2017

Own shareholdings and those of related persons: 0

### Martin Ericsson (1968)

Employed at Essity Hygiene and Health AB, Falkenberg.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2017

Own shareholdings and those of related persons, Class A shares: 200, Class B shares: 200

### Andreas Larsson (1989)

Employed at Essity Hygiene and Health AB, Gothenburg.

Member of the Council for Negotiation and Cooperation (PTK).

Appointed: 2018

Own shareholdings and those of related persons, Class B shares: 2,120

## Auditors

### Ernst & Young AB

Senior Auditor:

**Hamish Mabon**, Authorized Public Accountant

Own shareholdings and those of related persons: 0

## Secretary to the Board

### Mikael Schmidt (1960)

Master of Laws

Senior Vice President, Group Function Legal Affairs, General Counsel

Employed since: 1992

Own shareholdings and those of related persons, Class B shares: 31,000



# Executive Management Team



**Magnus Groth** (1963)

President and CEO

MBA and MSc ME

Employed since: 2011

Own shareholdings and those of related persons, Class B shares: 76,000



**Fredrik Rystedt** (1963)

CFO and Executive Vice President,

Head of Group Function Finance

MSc Econ

Employed since: 2014

Own shareholdings and those of related persons, Class B shares: 27,200



**Joséphine Edwall Björklund** (1964)

Senior Vice President, Group Function Communications

University Degree in Communications

Employed since: 2012

Own shareholdings and those of related persons, Class B shares: 11,110



**Pablo Fuentes** (1973)

President, Professional Hygiene

MSc, MBA

Employed since: 2006

Own shareholdings and those of related persons, Class B shares: 10,077



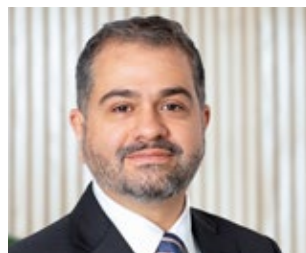
**Donato Giorgio** (1973)

President, Global Supply Chain

MSc Eng.

Employed since: 2009

Own shareholdings and those of related persons, Class B shares: 9,665



**Andres Gomez** (1977)

President, Consumer Goods Americas

MBA and MSc Eng

Employed since: 2021

Own shareholdings and those of related persons: 0



**Ulrika Kolsrud** (1970)

President, Health & Medical

MSc Eng.

Employed since: 1995

Own shareholdings and those of related persons, Class B shares: 8,553



**Mikael Schmidt** (1960)

Senior Vice President, Group Function Legal Affairs,

General Counsel and Secretary to the Board

Master of Laws

Employed since: 1992

Own shareholdings and those of related persons, Class B shares: 31,000

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2022.



**Anna Sävinger Åslund** (1969)

Senior Vice President, Group Function  
Human Resources

BSc Human Resources

Employed since: 2001

Own shareholdings and those  
of related persons, Class B shares: 7,145



**Sahil Tesfu** (1982)

Senior Vice President Group Function  
Strategy & Business Development

MBA Business Administration

Employed since: 2021

Own shareholdings and those  
of related persons: 0



**Tuomas Yrjölä** (1978)

President, Global Brand, Innovation and  
Sustainability

MSc Econ

Employed since: 2014

Own shareholdings and those  
of related persons, Class B shares: 8,225



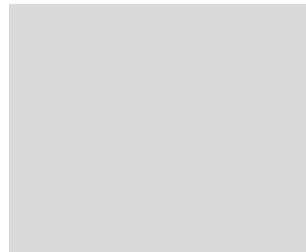
**Volker Zöllner** (1967)

President, Consumer Goods EMEA

BSc BA

Employed since: 1994

Own shareholdings and those  
of related persons, Class B shares: 11,946



**To be appointed**

President, Global Digital & Business Services

# Financial statements including notes

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- BS** Balance sheet
- EQ** Equity
- IS** Income statement
- CI** Statement of comprehensive income
- CF** Cash flow statement
- OCF** Operating cash flow statement



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## Consolidated income statement <sup>IS</sup>

	Note	2022		2021		2020	
		SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>
Net sales	B1, B2	156,173	14,713	121,867	12,017	121,752	11,626
Cost of goods sold	B3	-117,046	-11,027	-86,628	-8,542	-82,132	-7,843
Items affecting comparability – cost of goods sold	B2, B3	-1,899	-179	-146	-14	-181	-17
<b>Gross profit</b>		<b>37,228</b>	<b>3,507</b>	<b>35,093</b>	<b>3,461</b>	<b>39,439</b>	<b>3,766</b>
Sales, general and administration	B3	-26,107	-2,460	-21,617	-2,132	-22,088	-2,109
Items affecting comparability – sales, general and administration	B2, B3	-272	-26	517	51	122	11
Share of results of associates and joint ventures	B3	38	4	58	6	94	9
<b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b>		<b>10,887</b>	<b>1,025</b>	<b>14,051</b>	<b>1,386</b>	<b>17,567</b>	<b>1,677</b>
Amortization of acquisition-related intangible assets	B3	-1,116	-105	-852	-84	-809	-77
Items affecting comparability – acquisition-related intangible assets	B2, B3	-292	-27	-	-	-	-
<b>Operating profit</b>		<b>9,479</b>	<b>893</b>	<b>13,199</b>	<b>1,302</b>	<b>16,758</b>	<b>1,600</b>
Financial income	E7	173	16	102	10	108	10
Financial expenses	E7	-1,543	-145	-764	-75	-1,066	-101
<b>Profit before tax</b>		<b>8,109</b>	<b>764</b>	<b>12,537</b>	<b>1,237</b>	<b>15,800</b>	<b>1,509</b>
Income taxes	B5	-2,045	-193	-2,727	-269	-4,053	-387
<b>Profit for the period</b>		<b>6,064</b>	<b>571</b>	<b>9,810</b>	<b>968</b>	<b>11,747</b>	<b>1,122</b>
<b>Earnings attributable to:</b>							
Owners of the Parent company		5,567	524	8,620	850	10,228	977
Non-controlling interests		497	47	1,190	117	1,519	145
<b>Earnings per share – owners of the Parent company</b>							
Earnings per share before and after dilution effects, SEK		7.93	0.8	12.27	1.2	14.56	1.4
Average number of shares before and after dilution, million		702.3		702.3		702.3	
<b>Dividend – owners of the Parent company</b>							
Paid dividend per share, SEK		7.00		6.75		6.25	
Dividend paid, SEKm		4,916		4,741		4,390	
Proposed dividend per share, SEK		7.25		7.00		6.75	
Proposed dividend, SEKm		5,092		4,916		4,741	

1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;

10.61

10.14

10.47

## Consolidated statement of comprehensive income <sup>CI</sup>

SEKm	2022	2021	2020
<b>Profit for the period <sup>IS</sup></b>	<b>6,064</b>	<b>9,810</b>	<b>11,747</b>
<b>Other comprehensive income for the period</b>			
<b>Items that will not be reclassified to the income statement</b>			
Actuarial gains/losses on defined benefit pension plans	2,299	-148	-202
Fair value through other comprehensive income	-16	0	3
Income tax attributable to components in other comprehensive income	-659	-13	279
<b>Other comprehensive income that will not be reclassified to the income statement</b>	<b>1,624</b>	<b>-161</b>	<b>80</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>			
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity	3,110	4,142	-9
Transferred to profit or loss for the period	-5,252	-1,363	473
Translation differences in foreign operations	8,311	5,480	-8,092
Gains/losses from hedges of net investments in foreign operations	-1,397	-1,012	1,504
Other comprehensive income from associates	-	15	-20
Income tax attributable to components in other comprehensive income	848	-539	-415
<b>Other comprehensive income that has been or may be reclassified subsequently to the income statement</b>	<b>5,620</b>	<b>6,723</b>	<b>-6,559</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>7,244</b>	<b>6,562</b>	<b>-6,479</b>
<b>Total comprehensive income for the period</b>	<b>13,308</b>	<b>16,372</b>	<b>5,268</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent company	12,338	14,294	4,588
Non-controlling interests	970	2,078	680

### By operating segment

SEKm	Net sales			Adjusted EBITA <sup>1)</sup>		
	2022	2021	2020	2022	2021	2020
Health & Medical	25,239	21,685	21,170	2,903	3,821	3,668
Consumer Goods	94,841	74,040	75,146	7,211	7,938	11,538
Professional Hygiene	36,114	26,143	25,418	3,998	2,710	3,317
Other	-21	-1	18	-1,054	-789	-897
<b>Total</b>	<b>156,173</b>	<b>121,867</b>	<b>121,752</b>	<b>13,058</b>	<b>13,680</b>	<b>17,626</b>

1) Excluding items affecting comparability.

## Consolidated statement of change in equity EQ

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
<b>Value, January 1, 2022</b>	<b>2,350</b>	<b>6,309</b>	<b>51,215</b>	<b>59,874</b>	<b>8,633</b>	<b>68,507</b>
<b>Profit for the period <span>IS</span></b>			<b>5,567</b>	<b>5,567</b>	<b>497</b>	<b>6,064</b>
<b>Other comprehensive income for the period</b>						
<b>Items that will not be reclassified to the income statement</b>						
Actuarial gains/losses on defined benefit pension plans <sup>1)</sup>			2,296	2,296	3	2,299
Fair value through other comprehensive income		-16		-16		-16
Income tax attributable to components in other comprehensive income <span>TE8:2</span>		3	-662	-659		-659
<b>Other comprehensive income that will not be reclassified to the income statement</b>		<b>-13</b>	<b>1,634</b>	<b>1,621</b>	<b>3</b>	<b>1,624</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>						
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity		3,110		3,110		3,110
Transferred to profit or loss for the period		-5,252		-5,252		-5,252
Acquired cash flow hedges				-		-
Translation differences in foreign operations		7,841		7,841	470	8,311
Gains/losses from hedges of net investments in foreign operations		-1,397		-1,397		-1,397
Income tax attributable to components in other comprehensive income <span>TE8:2</span>		848		848		848
<b>Other comprehensive income that has been or may be reclassified subsequently to the income statement</b>		<b>5,150</b>	<b>-</b>	<b>5,150</b>	<b>470</b>	<b>5,620</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>5,137</b>	<b>1,634</b>	<b>6,771</b>	<b>473</b>	<b>7,244</b>
<b>Total comprehensive income for the period <span>CI</span></b>		<b>5,137</b>	<b>7,201</b>	<b>12,338</b>	<b>970</b>	<b>13,308</b>
Private placement to non-controlling interests			17	17	16	33
Acquisition of non-controlling interests			-10	-10	-3	-13
Transferred to cost of hedged investments		31		31		31
Revaluation effect upon acquisition of non-controlling interests			12	12		12
Dividend, SEK 7.00 per share <sup>2)</sup> <span>CF OCF</span>			-4,916	-4,916	-398	-5,314
<b>Value, December 31 <span>BS</span></b>	<b>2,350</b>	<b>11,477</b>	<b>53,519</b>	<b>67,346</b>	<b>9,218</b>	<b>76,564</b>

1) Including payroll tax.

2) Dividend of SEK 7.00 per share pertains to owners of the Parent company. For the 2022 fiscal year, the Board of Directors has decided to propose a dividend of SEK 7.25 per share to the Annual General Meeting.

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
<b>Value, January 1, 2021</b>	<b>2,350</b>	<b>474</b>	<b>51,528</b>	<b>54,352</b>	<b>8,990</b>	<b>63,342</b>
<b>Profit for the period <span>IS</span></b>			<b>8,620</b>	<b>8,620</b>	<b>1,190</b>	<b>9,810</b>
<b>Other comprehensive income for the period</b>						
<b>Items that will not be reclassified to the income statement</b>						
Actuarial gains/losses on defined benefit pension plans <sup>1)</sup>			-148	-148		-148
Fair value through other comprehensive income		0		0		0
Income tax attributable to components in other comprehensive income <span>TE8:2</span>		0	-13	-13		-13
<b>Other comprehensive income that will not be reclassified to the income statement</b>		<b>0</b>	<b>-161</b>	<b>-161</b>	<b>-</b>	<b>-161</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>						
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity		4,142		4,142		4,142
Transferred to profit or loss for the period		-1,363		-1,363		-1,363
Acquired cash flow hedges		11	-11	-		-
Translation differences in foreign operations		4,592		4,592	888	5,480
Gains/losses from hedges of net investments in foreign operations		-1,012		-1,012		-1,012
Other comprehensive income from associates			15	15		15
Income tax attributable to components in other comprehensive income <span>TE8:2</span>		-536	-3	-539		-539
<b>Other comprehensive income that has been or may be reclassified subsequently to the income statement</b>		<b>5,834</b>	<b>1</b>	<b>5,835</b>	<b>888</b>	<b>6,723</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>5,834</b>	<b>-160</b>	<b>5,674</b>	<b>888</b>	<b>6,562</b>
<b>Total comprehensive income for the period <span>CI</span></b>		<b>5,834</b>	<b>8,460</b>	<b>14,294</b>	<b>2,078</b>	<b>16,372</b>
Private placement to non-controlling interests			13	13	12	25
Acquisition of non-controlling interests <sup>3)</sup>			-4,042	-4,042	-1,919	-5,961
Transferred to cost of hedged investments		1		1		1
Revaluation effect upon acquisition of non-controlling interests			-3	-3		-3
Dividend, SEK 6.75 per share <sup>2)</sup> <span>CF OCF</span>			-4,741	-4,741	-528	-5,269
<b>Value, December 31 <span>BS</span></b>	<b>2,350</b>	<b>6,309</b>	<b>51,215</b>	<b>59,874</b>	<b>8,633</b>	<b>68,507</b>

1) Including payroll tax.

2) Dividend of SEK 6.75 per share pertains to owners of the Parent company.

3) For explanation, see note F5 Acquisitions and divestments of Group companies and other operations on page 124.

## Consolidated statement of change in equity, cont.

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
<b>Value, January 1, 2020</b>	<b>2,350</b>	<b>6,284</b>	<b>45,491</b>	<b>54,125</b>	<b>8,676</b>	<b>62,801</b>
Reclassification of revaluation reserve to retained earnings		-107	107	-		-
<b>Adjusted opening balance, January 1, 2020</b>	<b>2,350</b>	<b>6,177</b>	<b>45,598</b>	<b>54,125</b>	<b>8,676</b>	<b>62,801</b>
<b>Profit for the period </b>			<b>10,228</b>	<b>10,228</b>	<b>1,519</b>	<b>11,747</b>
<b>Other comprehensive income for the period</b>						
<b>Items that will not be reclassified to the income statement</b>						
Actuarial gains/losses on defined benefit pension plans <sup>1)</sup>			-203	-203	1	-202
Fair value through other comprehensive income		3		3		3
Income tax attributable to components in other comprehensive income		-1	280	279	-	279
<b>Other comprehensive income that will not be reclassified to the income statement</b>		<b>2</b>	<b>77</b>	<b>79</b>	<b>1</b>	<b>80</b>
<b>Items that have been or may be reclassified subsequently to the income statement</b>						
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity		-9		-9		-9
Transferred to profit or loss for the period		473		473		473
Translation differences in foreign operations		-7,252		-7,252	-840	-8,092
Gains/losses from hedges of net investments in foreign operations		1,504		1,504		1,504
Other comprehensive income from associates			-20	-20		-20
Income tax attributable to components in other comprehensive income		-419	4	-415		-415
<b>Other comprehensive income that has been or may be reclassified subsequently to the income statement</b>		<b>-5,703</b>	<b>-16</b>	<b>-5,719</b>	<b>-840</b>	<b>-6,559</b>

1) Including payroll tax.

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
<b>Other comprehensive income for the period, net of tax</b>		<b>-5,701</b>	<b>61</b>	<b>-5,640</b>	<b>-839</b>	<b>-6,479</b>
<b>Total comprehensive income for the period </b>		<b>-5,701</b>	<b>10,289</b>	<b>4,588</b>	<b>680</b>	<b>5,268</b>
Private placement to non-controlling interests			33	33	31	64
Divestment of non-controlling interests				-	57	57
Acquisition of non-controlling interests			-1	-1	-1	-2
Transferred to cost of hedged investments		-2		-2		-2
Revaluation effect upon acquisition of non-controlling interests			-1	-1		-1
Dividend, SEK 6.25 per share <sup>1)</sup>			-4,390	-4,390	-453	-4,843
<b>Value, December 31 </b>	<b>2,350</b>	<b>474</b>	<b>51,528</b>	<b>54,352</b>	<b>8,990</b>	<b>63,342</b>

1) Dividend of SEK 6.25 per share pertains to owners of the Parent company.

For further information, see Note E8 Equity on page 119.



# Consolidated cash flow statement CF

Note	2022		2021		2020	
	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>
<b>Operating activities</b>						
Operating profit <span>IS</span>	9,479	893	13,199	1,302	16,758	1,600
Adjustment for non-cash items <span>T:1</span>	11,341	1,068	7,212	711	7,812	746
<b>Operating profit excluding non-cash items</b>	<b>20,820</b>	<b>1,961</b>	<b>20,411</b>	<b>2,013</b>	<b>24,570</b>	<b>2,346</b>
Interest paid	-811	-76	-724	-71	-872	-83
Interest received	171	16	91	9	101	10
Other financial items	-658	-62	-39	-4	-205	-20
Change in liabilities relating to restructuring programs, etc.	-538	-51	-594	-59	-1,048	-100
Paid tax <span>B5</span>	-2,426	-229	-3,634	-358	-3,917	-374
<b>Cash flow from operating activities before changes in working capital</b>	<b>16,558</b>	<b>1,559</b>	<b>15,511</b>	<b>1,530</b>	<b>18,629</b>	<b>1,779</b>
<b>Cash flow from changes in working capital</b>						
Change in						
Inventories	-7,380	-695	-1,047	-103	-2,207	-211
Operating receivables	-3,817	-360	-2,084	-206	53	5
Operating liabilities	7,513	708	2,287	226	1,344	128
<b>Cash flow from operating activities</b>	<b>12,874</b>	<b>1,212</b>	<b>14,667</b>	<b>1,447</b>	<b>17,819</b>	<b>1,701</b>
<b>Investing activities</b>						
Acquisitions of Group companies and other operations <span>F5</span>	-4,797	-452	-4,427	-437	-668	-64
Divestments of Group companies and other operations <span>F5</span>	-	-	16	2	65	6
Investments in intangible assets and property, plant and equipment <span>T:2</span>	-6,898	-650	-7,301	-720	-6,587	-629
Paid interest capitalized in intangible assets and property, plant and equipment <span>T:2</span>	-51	-5	-57	-6	-20	-2
Sale of property, plant and equipment	74	7	54	5	169	16
Investments in financial assets, etc.	-2,828	-266	-418	-41	-54	-5
<b>Cash flow from investing activities</b>	<b>-14,500</b>	<b>-1,366</b>	<b>-12,133</b>	<b>-1,197</b>	<b>-7,095</b>	<b>-678</b>
<b>Financing activities</b>						
Private placement to non-controlling interests	35	3	25	2	64	6
Acquisition of non-controlling interests <span>F5</span>	-14	-1	-5,961	-588	-	-
Proceeds from borrowings	18,214	1,716	19,444	1,918	6,474	618
Repayment of borrowings	-11,115	-1,047	-12,003	-1,184	-10,100	-964
Dividend to non-controlling interests	-396	-37	-571	-56	-423	-40
Dividend <span>EQ</span>	-4,916	-463	-4,741	-468	-4,390	-419
<b>Cash flow from financing activities</b>	<b>1,808</b>	<b>171</b>	<b>-3,807</b>	<b>-376</b>	<b>-8,375</b>	<b>-799</b>
<b>Cash flow for the period</b>	<b>182</b>	<b>17</b>	<b>-1,273</b>	<b>-126</b>	<b>2,349</b>	<b>224</b>
Cash and cash equivalents, January 1 <sup>2)</sup>	3,904	382	4,982	497	2,928	281
Translation differences in cash and cash equivalents	202	-13	195	11	-295	-8
<b>Cash and cash equivalents, December 31<sup>2)</sup></b> <span>E2</span>	<b>4,288</b>	<b>386</b>	<b>3,904</b>	<b>382</b>	<b>4,982</b>	<b>497</b>
1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;						
		10.61		10.14		10.47
2) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;						
		11.12		10.23		10.03

For information about the Group's liquidity reserve, refer to page 45.

## Adjustment for non-cash items T:1

SEKm	2022	2021	2020
Depreciation/amortization and impairment of non-current assets	10,598	7,391	7,671
Depreciation of prepaid selling expenses	465	400	410
Gain/loss on sale of assets	30	13	-44
Gain/loss on divestment and liquidation	2	21	-69
Non-cash items relating to efficiency program	84	-43	-19
Impact from settlement of pension liability	-	-	-187
Revaluation of previously owned shares upon acquisition	-	-706	-
Change in liability for ongoing competition case	-	-54	-
Change in provision for tax of a non-recurring nature on non-current assets	-	-20	-
Other	162	210	50
<b>Total</b>	<b>11,341</b>	<b>7,212</b>	<b>7,812</b>

## Investments in intangible assets and property, plant and equipment including paid capitalized interest T:2

SEKm	2022	2021	2020
Measures to raise the capacity level of operations (Strategic capital expenditures)	-1,463	-2,860	-2,675
Measures to uphold capacity level (Current capital expenditures)	-5,486	-4,498	-3,932
<b>Total</b>	<b>-6,949</b>	<b>-7,358</b>	<b>-6,607</b>

## Change in liabilities attributable to financing activities

SEKm	Value at January 1	Cash flow, net	Acquisitions/ divestments	Translation differences	Actuarial gains/ losses	Other changes	Value at December 31
<b>2022</b>							
Non-current and current financial liabilities	58,189	7,434	144	4,565	–	1,182 <sup>1)</sup>	71,514
Provisions for pensions including surplus in funded pension plans	2,710	339	–	–45	–2,298	–	706
Assets for hedging financial liabilities included in cash flow from financing activities	–817	–674	–	–	–	–	–1,491
<b>Total Financial liabilities including surplus in funded pension plans attributable to financing activities</b>	<b>60,082</b>	<b>7,099</b>	<b>144</b>	<b>4,520</b>	<b>–2,298</b>	<b>1,182</b>	<b>70,729</b>
<b>2021</b>							
Non-current and current financial liabilities	46,890	6,643	1,425	2,377	–	854 <sup>2)</sup>	58,189
Provisions for pensions including surplus in funded pension plans	2,511	228	–15	–162	148	–	2,710
Assets for hedging financial liabilities included in cash flow from financing activities	–1,387	570	–	–	–	–	–817
<b>Total Financial liabilities including surplus in funded pension plans attributable to financing activities</b>	<b>48,014</b>	<b>7,441</b>	<b>1,410</b>	<b>2,215</b>	<b>148</b>	<b>854</b>	<b>60,082</b>
<b>2020</b>							
Non-current and current financial liabilities	52,062	–2,655	–205	–3,102	–	790 <sup>3)</sup>	46,890
Provisions for pensions including surplus in funded pension plans	3,025	–532	–	3	202	–187 <sup>4)</sup>	2,511
Assets for hedging financial liabilities included in cash flow from financing activities	–948	–439	–	–	–	–	–1,387
<b>Total Financial liabilities including surplus in funded pension plans attributable to financing activities</b>	<b>54,139</b>	<b>–3,626</b>	<b>–205</b>	<b>–3,099</b>	<b>202</b>	<b>603</b>	<b>48,014</b>

1) Other changes 2022 relate to change in accrued interest SEK 73m, change in liability related to financial leases in accordance with IFRS 16 of SEK 1,109m, of which SEK 547m relates to operating assets and SEK 562m to non-operating assets.

2) Other changes 2021 relate to change in accrued interest SEK –10m, change in liability related to financial leases in accordance with IFRS 16 of SEK 865m, of which SEK 480m relates to operating assets and SEK 385m to non-operating assets, and other items SEK –1m.

3) Other changes 2020 relate to change in accrued interest SEK –18m, change in liability related to financial leases in accordance with IFRS 16 of SEK 808m, of which SEK 409m relates to operating assets and SEK 399m to non-operating assets.

4) Other changes 2020 relate to the impact from settlement of pension liability SEK –187m.

## Correlation between consolidated cash flow statement and operating cash flow statement, supplementary disclosure

SEKm	2022	2021	2020
<b>Cash flow from operating activities</b>			
Cash flow from operating activities	12,874	14,667	17,819
Adjustments			
Investments in non-current assets, net	–6,875	–7,304	–6,439
Accrued interest	–72	10	18
Investments in operating assets through leases	–547	–480	–409
Impact from settlement of pension liability	–	–	187
Other	–	1	–1
<b>Cash flow from current operations according to consolidated operating cash flow statement</b>	<b>5,380</b>	<b>6,894</b>	<b>11,175</b>
<b>Cash flow from investing activities</b>			
Cash flow from investing activities	–14,500	–12,133	–7,095
Adjustments			
Investments in non-current assets, net	6,875	7,304	6,439
Investments in financial assets, etc.	2,828	418	54
Acquisition of non-controlling interests	–14	–5,961	–
Net debt in acquired and divested companies	–144	–1,410	205
Paid/Non-paid financial receivable upon divestment of Group companies	–	–18	18
Other	–	–	–1
<b>Cash flow from acquisitions and divestments according to consolidated operating cash flow statement</b>	<b>–4,955</b>	<b>–11,800</b>	<b>–380</b>

SEKm	2022	2021	2020
<b>Cash flow for the period</b>			
Cash flow for the period	182	–1,273	2,349
Adjustments			
Repayment of borrowings	11,115	12,003	10,100
Proceeds from borrowings	–18,214	–19,444	–6,474
Investments in financial assets, etc.	2,828	418	54
Net debt in acquired and divested operations	–144	–1,410	205
Paid/Non-paid financial receivable upon divestment of Group companies	–	–18	18
Investments in operating assets through leases	–547	–480	–409
Accrued interest	–72	10	18
Impact from settlement of pension liability	–	–	187
Other	–	1	–2
<b>Net cash flow according to consolidated operating cash flow statement</b>	<b>–4,852</b>	<b>–10,193</b>	<b>6,046</b>

## Consolidated operating cash flow statement, supplementary disclosure **OCF**

Note	2022		2021		2020	
	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>
Net sales <b>IS</b>	156,173	14,713	121,867	12,017	121,752	11,626
Operating expenses	-135,820	-12,796	-101,885	-10,047	-97,555	-9,315
<b>Operating surplus</b>	<b>20,353</b>	<b>1,917</b>	<b>19,982</b>	<b>1,970</b>	<b>24,197</b>	<b>2,311</b>
Adjustment for non-cash items	621	59	489	49	456	43
<b>Operating cash surplus</b>	<b>20,974</b>	<b>1,976</b>	<b>20,471</b>	<b>2,019</b>	<b>24,653</b>	<b>2,354</b>
Change in						
Inventories	-7,380	-695	-1,047	-103	-2,207	-211
Operating receivables	-3,817	-360	-2,084	-206	53	5
Operating liabilities	7,513	708	2,287	226	1,344	128
<b>Change in working capital</b>	<b>-3,684</b>	<b>-347</b>	<b>-844</b>	<b>-83</b>	<b>-810</b>	<b>-78</b>
Investments in non-current assets, net	-6,875	-648	-7,304	-720	-6,439	-615
Restructuring costs, etc.	-701	-66	-725	-72	-977	-93
<b>Operating cash flow before investments in operating assets through leases</b>	<b>9,714</b>	<b>915</b>	<b>11,598</b>	<b>1,144</b>	<b>16,427</b>	<b>1,568</b>
Investments in operating assets through leases	-547	-51	-480	-48	-409	-39
<b>Operating cash flow</b>	<b>9,167</b>	<b>864</b>	<b>11,118</b>	<b>1,096</b>	<b>16,018</b>	<b>1,529</b>
Financial items E7	-1,370	-129	-662	-65	-958	-91
Income taxes paid B5	-2,426	-229	-3,634	-358	-3,917	-374
Other	9	1	72	7	32	3
<b>Cash flow from current operations</b>	<b>5,380</b>	<b>507</b>	<b>6,894</b>	<b>680</b>	<b>11,175</b>	<b>1,067</b>
Acquisitions of Group companies and other operations F5	-4,955	-467	-11,813	-1,165	-747	-71
Divestments of Group companies and other operations F5	-	-	13	1	367	35
<b>Cash flow from acquisitions and divestments</b>	<b>-4,955</b>	<b>-467</b>	<b>-11,800</b>	<b>-1,164</b>	<b>-380</b>	<b>-36</b>
<b>Cash flow before transactions with shareholders</b>	<b>425</b>	<b>40</b>	<b>-4,906</b>	<b>-484</b>	<b>10,795</b>	<b>1,031</b>
Private placement to non-controlling interests	35	3	25	2	64	6
Dividend to non-controlling interests	-396	-37	-571	-56	-423	-40
Dividend <b>EQ</b>	-4,916	-463	-4,741	-467	-4,390	-419
<b>Net cash flow</b>	<b>-4,852</b>	<b>-457</b>	<b>-10,193</b>	<b>-1,005</b>	<b>6,046</b>	<b>578</b>

1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;

10.61

10.14

10.47

	2022		2021		2020	
	SEKm	EURm	SEKm	EURm	SEKm	EURm
<b>Net debt</b>						
<b>Net debt, January 1<sup>1)</sup></b>	<b>-55,433</b>	<b>-5,419</b>	<b>-42,688</b>	<b>-4,257</b>	<b>-50,940</b>	<b>-4,886</b>
Net cash flow <sup>2)</sup>	-4,852	-457	-10,193	-1,005	6,046	578
Remeasurements to equity <sup>2)</sup>	2,281	214	-147	-15	-199	-19
Investments in non-operating assets through leases <sup>2)</sup>	-562	-53	-385	-38	-399	-38
Translation differences	-4,303	63	-2,020	-104	2,804	108
<b>Net debt, December 31<sup>1)</sup></b>	<b>-62,869</b>	<b>-5,652</b>	<b>-55,433</b>	<b>-5,419</b>	<b>-42,688</b>	<b>-4,257</b>

1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;

11.12

10.23

10.03

2) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;

10.61

10.14

10.47

## Consolidated balance sheet <sup>BS</sup>

		2022		2021		2020	
	Note	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>
ASSETS							
Non-current assets							
Goodwill	D1	44,786	4,027	37,803	3,696	32,324	3,223
Other intangible assets	D1	25,346	2,279	21,806	2,132	18,574	1,852
Property, plant and equipment	D2	62,898	5,655	58,918	5,760	53,631	5,348
Investments in associates and joint ventures	F3	291	26	239	23	847	84
Shares and participations		6	1	7	1	7	1
Surplus in funded pension plans	C4	1,965	177	1,439	141	2,817	281
Non-current financial assets	E2	123	11	412	40	738	74
Deferred tax assets	B5	2,545	229	2,012	197	1,823	182
Other non-current assets		1,620	145	1,411	138	768	76
Total non-current assets		139,580	12,550	124,047	12,128	111,529	11,121
Current assets							
Inventories	D3	28,888	2,597	19,339	1,891	16,383	1,634
Trade receivables	E3	25,990	2,337	19,871	1,943	17,825	1,777
Current tax assets	B5	1,152	104	952	93	760	76
Other current receivables	D4	5,761	517	5,787	566	2,173	217
Current financial assets	E2	4,941	444	1,150	112	993	99
Cash and cash equivalents	E2	4,288	386	3,904	382	4,982	497
Total current assets		71,020	6,385	51,003	4,987	43,116	4,300
Total assets	B2	210,600	18,935	175,050	17,115	154,645	15,421

1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;

11.12

10.23

10.03

		2022		2021		2020	
	Note	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>	SEKm	EURm <sup>1)</sup>
EQUITY AND LIABILITIES							
Equity <b>EQ</b>							
Owners of the Parent company							
Share capital		2,350	211	2,350	230	2,350	234
Reserves	E8	11,477	1,032	6,309	617	474	47
Retained earnings		53,519	4,812	51,215	5,007	51,528	5,139
Equity attributable to owners of the Parent company		67,346	6,055	59,874	5,854	54,352	5,420
Non-controlling interests		9,218	829	8,633	844	8,990	896
Total equity		76,564	6,884	68,507	6,698	63,342	6,316
Non-current liabilities							
Non-current financial liabilities	E4	58,242	5,236	47,443	4,639	38,202	3,810
Provisions for pensions	C4	2,671	240	4,149	406	5,328	531
Deferred tax liabilities	B5	8,718	784	7,574	740	6,150	613
Other non-current provisions	D6	491	44	396	39	445	44
Other non-current liabilities	D5	1,196	108	86	8	105	11
Total non-current liabilities		71,318	6,412	59,648	5,832	50,230	5,009
Current liabilities							
Current financial liabilities	E4	13,273	1,193	10,746	1,051	8,688	866
Trade payables		25,644	2,306	18,030	1,763	14,791	1,475
Current tax liabilities	B5	1,589	143	1,576	154	2,301	229
Current provisions	D6	1,217	109	736	72	748	75
Other current liabilities	D5	20,995	1,888	15,807	1,545	14,545	1,451
Total current liabilities		62,718	5,639	46,895	4,585	41,073	4,096
Total liabilities		134,036	12,051	106,543	10,417	91,303	9,105
Total equity and liabilities		210,600	18,935	175,050	17,115	154,645	15,421
Contingent liabilities and pledged assets, see Note G2 on page 128.							
Capital employed		139,433	12,536	123,940	12,116	106,030	10,573
Net debt		62,869	5,652	55,433	5,419	42,688	4,257

1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;

11.12

10.23

10.03



## A. Accounting principles and use of alternative performance measures

### A1. General accounting principles, new accounting rules and basis of preparation

#### Reading instructions

General accounting principles **AP** and new accounting rules are presented below. Other accounting principles considered material by Essity are presented in conjunction with the respective note.

Key assessments and assumptions **KAA** are presented under the respective note, see use of assessments below.

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

**BS** Balance sheet **EQ** Equity **IS** Income statement **CI** Statement of comprehensive income

**CF** Cash flow statement **OCF** Operating cash flow statement **Txx** Reference to table in note

#### Company information

Essity Aktiebolag (publ), Corp. Reg. No. 556325-5511, is a public limited liability company whose shares are listed and traded on Nasdaq Stockholm (for more information, see The share on page 8).

The registered office of the company is Stockholm, Sweden, with the postal address of Box 200, SE-101 23 Stockholm, Sweden. The Group mainly conducts operations in the fields of hygiene and health.

#### Basis for preparation

Essity's financial statements are prepared in accordance with the Annual Accounts Act and International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), as adopted within the EU, and the Swedish Financial Reporting Board, Recommendation RFR 1, Supplementary Accounting Rules for Groups. The accounts for both the Group and the Parent company relate to the fiscal year that ended on December 31, 2022. Essity applies the historical cost method for measurement of assets and liabilities except for financial assets and liabilities, including derivative instruments, measured at fair value through profit or loss. Changes in assets and liabilities measured at fair value through profit or loss are recognized either in profit or loss or other comprehensive income.

The annual report was approved for publishing by the Board of Directors on February 16th, 2023. The financial statements are subject to approval by the Annual General Meeting of shareholders on March 29th, 2023.

#### New or amended accounting standards 2022

A number of amended accounting standards published by the International Accounting Standards Board (IASB) are effective from January 1, 2022 following endorsement by the EU. Essity has applied these amendments, of which none have had a significant impact on the Group's financial statements and are therefore not commented on.

#### New or amended accounting standards after 2022

A number of new and amended accounting standards have not yet come into effect and have not been applied in advance in the preparation of the Group's and the Parent company's financial statements. The Group intends to comply with these new and amended standards when they come into force. These new standards and amendments to standards published by IASB are not expected to have any impact on the Group's or the Parent company's financial statements.

In December 2021, the OECD published Pillar Two rules entailing a global minimum tax rate of 15%. This minimum tax rate will apply to multinational companies with revenues in excess of EUR 750m. The respective rules have still to be introduced into national legislation and are scheduled to enter into force for financial years beginning after December 31, 2023. Essity has established a project team to evaluate the effects on Essity and any need for further reporting requirements. The new rules are not expected to have any material impact on Essity's recognized tax.

#### Use of assessments **KAA**

The preparation of financial statements in accordance with IFRS and generally accepted Swedish accounting principles requires assessments and assumptions to be made that affect recognized assets, liabilities, income and expenses as well as other information disclosed.

These assumptions and estimates are often based on historical experience, but also on other factors, including expectations of future events. With other assumptions and estimates, the result may be different and the actual result will seldom fully concur with the estimated result.

Uncertainty and risks have arisen as a result of the COVID-19 pandemic that may affect Essity's sales, earnings and financial position.

In Essity's opinion, the areas that are impacted the most by assumptions and estimates are:

- Determination of transaction price, B1 Net sales - Revenues from contracts with customers, page 87
- Taxes, B5 Income taxes, page 96
- Pensions, C4 Remuneration after completion of employment, page 102
- Goodwill, D1 Intangible assets, page 105
- Provisions, D6 Other provisions, page 109
- Provision for doubtful receivables, E3 Trade receivables, page 112
- Leases, G1 Leases, page 127
- Accounting implications as a result of the war in Ukraine, G4 Risks that have arisen as a result of the war in Ukraine, page 129

Essity's assessments and assumptions are presented in the respective notes.

#### Principles of consolidation

The Group's consolidated financial statements include the Parent company and its Group companies, which comprise subsidiaries, joint ventures, associates and joint operations. Group companies are consolidated from the date the Group exercises control or influence over the company according to the definitions and accounting policies provided in Notes F1 Group companies on page 120, F3 Investments in associates and joint ventures on page 121 and F4 Joint operations on page 123. Divested Group companies are included in the consolidated accounts until the date the Group ceases to control or exercise influence over the companies. For additional information about accounting policies regarding acquisitions of Group companies and respective non-controlling interests, see Note F5 Acquisitions and divestments of group companies and other operations on page 124. Intra-Group transactions have been eliminated.

#### Translation of foreign currency

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

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

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

Goodwill and fair value adjustments arising in connection with the acquisition of a foreign Group company are translated from their functional currency to the presentation currency in the same way as the net assets in the company are translated.

##### Transactions and balance sheet items in foreign currency

Transactions in foreign currency are translated to a functional currency using the rate prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities in foreign currency are translated at the closing rate and any exchange rate effects are recognized in profit or loss. In cases where the exchange rate effect is related to the operations, the effect is recognized net in operating profit. Exchange rate effects pertaining to borrowing and financial investments are recognized as other financial items.

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

If a financial instrument has been classified as financial assets measured at fair value through comprehensive income, the portion of the value change pertaining to currency is recognized in profit or loss, any other unrealized changes are recognized in equity under other comprehensive income.

## A1. Cont.

### Government grants

Government grants are measured at fair value when there is reasonable assurance that the grants will be received and Essity will comply with the conditions attached to them. Government grants related to acquisition of assets are recognized in the balance sheet by the grant reducing the carrying amount of the asset. Government grants received as compensation for costs are accrued and recognized in profit or loss during the same period as the costs incurred. If the government grant or assistance is neither related to the acquisition of assets nor to compensation for costs, the grant is recognized as other income.

## A2. Use of alternative performance measures

Guidelines concerning alternative performance measures for companies with securities listed on a regulated market in the EU have been issued by the ESMA (The European Securities and Markets Authority). These guidelines are to be applied to alternative performance measures not supported under IFRS.

The Annual and Sustainability Report refers to a number of performance measures not defined in IFRS. These performance measures are used to assist investors and company management to analyze the company's operations and objectives. As these non-IFRS measures may differ from similar terms used by other companies, descriptions of the various measures used as a complement to the financial information required according to IFRS are presented below.

### New segment division as of January 1, 2022

On October 22, 2021, Essity announced that the company had decided on new business areas which, as of January 1, 2022, consist of Health & Medical, Consumer Goods and Professional Hygiene.

See Note B2 on page 89 for the reasoning and background to the change. The Health & Medical and Consumer Goods business areas have replaced the former Personal Care and Consumer Tissue business areas and amounts for the comparative years of 2021 and 2020 have therefore been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.

### Calculation of performance measures not included in IFRS framework

Return measures	Return is a financial term that describes how much the value of an asset changes from an earlier point in time		
Non-IFRS performance measure	Description	Reason for use of the measure	
<b>Return on capital employed, ROCE</b>	Return on capital employed is calculated as 12-months rolling operating profit before amortization of acquisition-related intangible assets (EBITA) as a percentage of an average of capital employed during the five most recent quarters. The corresponding key figure for a single quarter is calculated as EBITA for the quarter multiplied by four as a percentage of capital employed for the two most recent quarters.	A central ratio for measuring return on capital tied up in operations.	
<b>Adjusted return on capital employed, ROCE</b>	Adjusted return on capital employed is calculated as 12-months rolling operating profit before amortization of acquisition-related intangible assets (EBITA), excluding items affecting comparability, as a percentage of an average of capital employed during the five most recent quarters. The corresponding key figure for a single quarter is calculated as EBITA for the quarter, excluding items affecting comparability, multiplied by four as a percentage of capital employed for the two most recent quarters.	A central ratio for measuring return on capital tied up in operations, excluding items affecting comparability.	
<b>SEKm</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>ADJUSTED RETURN ON CAPITAL EMPLOYED, ROCE</b>			
EBITA	10,887	14,051	17,567
Items affecting comparability	2,171	-371	59
Adjusted EBITA	13,058	13,680	17,626
Average capital employed	135,046	114,163	112,473
<b>Adjusted return on capital employed, ROCE</b>	<b>9.7%</b>	<b>12.0%</b>	<b>15.7%</b>

Capital measures	Shows how capital is utilized and the company's financial strength	
Non-IFRS performance measure	Description	Reason for use of the measure
<b>Return on equity</b>	For the Group, return on equity is calculated as profit for the period as a percentage of average equity.	Shows, from a shareholder perspective, the return that is generated on the owners' capital that is invested in the company.
<b>Adjusted return on equity</b>	For the Group, adjusted return on equity is calculated as profit for the period, excluding items affecting comparability, as a percentage of average equity.	Shows, from a shareholder perspective, the return excluding items affecting comparability that is generated on the owners' capital that is invested in the company.
<b>Equity</b>	The equity reported in the consolidated balance sheet consists of taxed equity increased by the equity portion of the Group's untaxed reserves and non-controlling interests. The deferred tax liability in untaxed reserves has been calculated on the basis of the corporate tax rate decided to apply when the reserves are expected to be realized.	Equity is the difference between the Group's assets and liabilities, which corresponds to the Group's equity contributed by owners and the Group's accumulated profits including the share of associated non-controlling interests.
<b>Equity per share</b>	Equity in relation to the average number of shares outstanding that exist in Essity Aktiebolag (publ).	A measure of the amount of equity that exists per outstanding share and is used for measuring the share against the share price.
<b>Equity/assets ratio</b>	Equity expressed as a percentage of total assets.	A traditional measure for showing financial risk, expressing the percentage of total assets that is financed by the owners.
<b>Capital employed</b>	The Group's and business areas' capital employed is calculated as the balance sheet's total assets, excluding interest-bearing assets and pension assets, less total liabilities, excluding interest-bearing liabilities and pension liabilities.	This measure shows the amount of total capital that is used in the operations and is thus one of the components for measuring the return from operations.

<b>SEKm</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CAPITAL EMPLOYED</b>			
Total assets	210,600	175,050	154,645
Financial assets	-11,317	-6,905	-9,530
Non-current, non-interest-bearing liabilities	-10,405	-8,056	-6,700
Current, non-interest-bearing liabilities	-49,445	-36,149	-32,385
<b>Capital employed</b>	<b>139,433</b>	<b>123,940</b>	<b>106,030</b>
<b>CAPITAL EMPLOYED</b>			
Health & Medical	34,557	31,401	28,642
Consumer Goods	76,672	66,939	57,146
Professional Hygiene	27,911	24,518	20,915
Other	293	1,082	-673
<b>Capital employed</b>	<b>139,433</b>	<b>123,940</b>	<b>106,030</b>

## A2. Use of alternative performance measures, cont.

Non-IFRS performance measure	Description	Reason for use of the measure
<b>Capital turnover</b>	Net sales for the year divided by average capital employed.	Shows in a clear manner how effectively capital is employed. Together with sales growth and the operating margin, the capital turnover ratio is a key measure for monitoring value creation.
<b>Working capital</b>	The Group's and business areas' working capital is calculated as current operating receivables less current operating liabilities.	This measure shows how much working capital is tied up in the operations and can be put in relation to net sales to understand how effectively tied-up working capital is used.

SEKm	2022	2021	2020
<b>WORKING CAPITAL</b>			
Inventories	28,888	19,339	16,383
Trade receivables	25,990	19,871	17,825
Other current receivables	5,761	5,787	2,173
Trade payables	-25,644	-18,030	-14,791
Other current liabilities	-20,995	-15,807	-14,545
Other	33	-3	101
<b>Working capital</b>	<b>14,033</b>	<b>11,157</b>	<b>7,146</b>

Non-IFRS performance measure	Description	Reason for use of the measure
<b>Net debt</b>	The sum of consolidated interest-bearing liabilities, including pension liabilities and accrued interest less pension assets, cash and cash equivalents and interest-bearing current and non-current receivables.	Net debt is the most relevant measure for showing the company's total debt financing.

SEKm	2022	2021	2020
<b>NET DEBT</b>			
Surplus in funded pension plans	1,965	1,439	2,817
Non-current financial assets	123	412	738
Current financial assets	4,941	1,150	993
Cash and cash equivalents	4,288	3,904	4,982
<b>Financial assets</b>	<b>11,317</b>	<b>6,905</b>	<b>9,530</b>
Non-current financial liabilities	58,242	47,443	38,202
Provisions for pensions	2,671	4,149	5,328
Current financial liabilities	13,273	10,746	8,688
<b>Financial liabilities</b>	<b>74,186</b>	<b>62,338</b>	<b>52,218</b>
<b>Net debt</b>	<b>62,869</b>	<b>55,433</b>	<b>42,688</b>

Capital measures, cont.	Shows how capital is utilized and the company's financial strength	
Non-IFRS performance measure	Description	Reason for use of the measure
<b>Debt/equity ratio</b>	Debt/equity ratio is expressed as net debt in relation to equity.	Shows financial risk and is the most useful measure for management to monitor the level of the company's indebtedness.
<b>Debt payment capacity, %</b>	Debt payment capacity is expressed as 12-months rolling cash earnings (see page 86) in relation to closing net debt.	A financial measure that shows the company's capacity to repay its debt.
<b>Adjusted debt payment capacity, %</b>	Adjusted debt payment capacity expressed as 12-months rolling adjusted cash earnings (see page 86) in relation to closing net debt.	A financial measure that shows the company's capacity to repay its debt, adjusted for the impact of items affecting comparability.
<b>Net debt/EBITDA</b>	Calculated as the closing balance of net debt in relation to 12-months rolling EBITDA.	A financial measure that shows the company's capacity to repay its debt.
<b>Net debt/Adjusted EBITDA</b>	Calculated as the closing balance of net debt in relation to 12-months rolling EBITDA, excluding items affecting comparability.	A financial measure that shows the company's capacity to repay its debt, adjusted for the impact of items affecting comparability.
<b>Interest coverage ratio</b>	Calculated on a net basis, according to which operating profit is divided by financial items.	Helps to show the company's capacity to cover its interest expenses.

SEKm	2022	2021	2020
Debt/equity ratio, multiple	0.82	0.81	0.67
Debt payment capacity, %	26	29	46
Adjusted debt payment capacity, %	26	45	45
Net debt/EBITDA	3.13	2.69	1.75
Net debt/Adjusted EBITDA	3.08	2.77	1.76

Performance measures	Various types of performance measures and margin measures expressed as a percentage of sales	
Non-IFRS performance measure	Description	Reason for use of the measure
<b>Organic sales growth</b>	Underlying change in sales growth compared with the preceding period attributable to changed volume, price or product mix and excluding changes attributable to exchange rate effects, acquisitions and divestments.	This measure is of major importance for management in its monitoring of underlying organic sales growth driven by changes in volume, price and product mix for comparable units between different periods.
<b>Sales growth including organic sales growth and acquisitions</b>	Sales growth that includes organic sales growth and acquisitions.	This measure shows how the company grows organically and through acquisitions.

## A2. Use of alternative performance measures, cont.

Performance measures, cont.			
<b>SEKm</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>SALES GROWTH</b>			
<b>Health &amp; Medical</b>			
Organic sales growth	1,576	1,151	-403
Acquisitions	512	226	165
Sales growth including organic sales growth and acquisitions	2,088	1,377	-238
Divestments	-100	-46	-28
Exchange rate effects <sup>1)</sup>	1,566	-816	-639
<b>Recognized change</b>	<b>3,554</b>	<b>515</b>	<b>-905</b>
<b>Consumer Goods</b>			
Organic sales growth	11,629	1,388	2,444
Acquisitions	1,347	781	0
Sales growth including organic sales growth and acquisitions	12,976	2,169	2,444
Divestments	-8	-899	-114
Exchange rate effects <sup>1)</sup>	7,833	-2,376	-3,353
<b>Recognized change</b>	<b>20,801</b>	<b>-1,106</b>	<b>-1 023</b>
<b>Professional Hygiene</b>			
Organic sales growth	5,975	1,443	-4,501
Acquisitions	549	452	-
Sales growth including organic sales growth and acquisitions	6,524	1,895	-4,501
Divestments	0	-19	-
Exchange rate effects <sup>1)</sup>	3,447	-1,151	-812
<b>Recognized change</b>	<b>9,971</b>	<b>725</b>	<b>-5,313</b>
<b>Group</b>			
Organic sales growth	19,161	3,962	-2,439
Acquisitions	2,407	1,458	165
Sales growth including organic sales growth and acquisitions	21,568	5,420	-2,274
Divestments	-109	-964	-143
Exchange rate effects <sup>1)</sup>	12,847	-4,342	-4,806
<b>Recognized change</b>	<b>34,306</b>	<b>114</b>	<b>-7,223</b>
<b>ORGANIC SALES GROWTH %</b>			
Previous period sales	121,867	121,752	128,975
Organic sales growth	19,161	3,962	-2,439
Total organic sales for the period	141,028	125,714	126,536
<b>Organic sales growth %</b>	<b>15.7%</b>	<b>3.3%</b>	<b>-1.9%</b>
<b>SALES GROWTH %</b>			
Previous period sales	121,867	121,752	128,975
Sales growth including organic sales growth and acquisitions	21,568	5,420	-2,274
<b>Sales growth including organic sales growth and acquisitions %</b>	<b>17.7%</b>	<b>4.5%</b>	<b>-1.8%</b>

1) Consists solely of currency translation effects.

Performance measures, cont.	Various types of performance measures and margin measures expressed as a percentage of sales		
Non-IFRS performance measure	Description	Reason for use of the measure	
<b>Adjusted gross profit</b>	Net sales minus cost of goods sold excluding items affecting comparability.	Gross profit shows the company's earnings before the effects of sales, general and administration. Adjusted gross profit excludes items affecting comparability.	
<b>Operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)</b>	Calculated as operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets.	This measure is a complement to operating profit, as it shows the cash earnings from operations.	
<b>Adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)</b>	Calculated as operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets excluding items affecting comparability.	This measure is a complement to operating profit, as it shows the cash earnings from operations adjusted for the impact of items affecting comparability.	
<b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	Calculated as operating profit after depreciation, amortization and impairment of property, plant and equipment and intangible assets but before amortization and impairment of acquisition-related intangible assets.	The measure is a good complement to enable earnings comparisons with other companies, regardless of whether business activities are based on acquisitions or organic growth.	
<b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	Calculated as operating profit after depreciation, amortization and impairment of property, plant and equipment and intangible assets but before amortization and impairment of acquisition-related intangible assets, excluding items affecting comparability.	The measure is a good complement to enable earnings comparisons with other companies, regardless of whether business activities were based on acquisitions or organic growth, and is also adjusted for the impact of items affecting comparability.	
<b>SEKm</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)</b>			
Operating profit	9,479	13,199	16,758
Amortization of acquisition-related intangible assets	1,116	852	809
Depreciation/amortization	6,217	5,424	5,618
Depreciation right-of-use assets	1,074	938	922
Impairment	41	-2	125
Items affecting comparability, net of impairment	1,858	179	197
Items affecting comparability, impairment of acquisition-related intangible assets	292	0	0
<b>EBITDA</b>	<b>20,077</b>	<b>20,590</b>	<b>24,429</b>
Items affecting comparability excluding depreciation/amortization and impairment	313	-550	-138
<b>Adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)</b>	<b>20,390</b>	<b>20,040</b>	<b>24,291</b>
<b>SEKm</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)</b>			
Operating profit	9,479	13,199	16,758
Amortization of acquisition-related intangible assets	1,116	852	809
<b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	<b>10,887</b>	<b>14,051</b>	<b>17,567</b>
EBITA margin	7.0%	11.5%	14.4%
Items affecting comparability, cost of goods sold	1,899	146	181
Items affecting comparability, sales, general and administration	272	-517	-122
<b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	<b>13,058</b>	<b>13,680</b>	<b>17,626</b>
Adjusted EBITA margin	8.4%	11.2%	14.5%



## A2. Use of alternative performance measures, cont.

Performance measures, cont.	Various types of performance measures and margin measures expressed as a percentage of sales		
Non-IFRS performance measure	Description	Reason for use of the measure	
<b>Items affecting comparability</b>	Under items affecting comparability, Essity includes costs in connection with acquisitions, restructuring, impairment and other specific events that are relevant when comparing earnings for one period with those of another. The item other specific events is specified in Note B3 Operating expenses on page 95.	Separate reporting of items affecting comparability between periods provides a better understanding of the company's underlying operating activities.	
<b>Restructuring costs</b>	Costs for impairment together with headcount reductions in connection with restructuring.	This measure shows the specific costs that have arisen in connection with restructuring of a specific operation, which contributes to a better understanding of the underlying cost level in the continuing operations.	
<b>Adjusted gross margin</b>	Relates to adjusted gross profit as a percentage of net sales for the period.	Adjusted gross margin is cleared of items affecting comparability and is thus a better measure than gross margin for showing the company's margins before the effect of costs such as sales, general and administration.	
<b>EBITA margin</b>	Operating profit before amortization of acquisition-related intangible assets as a percentage of net sales.	EBITA margin is a good complement to enable operating margin comparisons with other companies, regardless of whether business activities are based on acquisitions or organic growth.	
<b>Adjusted EBITA margin</b>	Operating profit before amortization of acquisition-related intangible assets, excluding items affecting comparability, as a percentage of net sales.	Adjusted EBITA margin is a good complement to enable operating margin comparisons excluding items affecting comparability with other companies, regardless of whether business activities are based on acquisitions or organic growth.	
<b>Operating margin</b>	Operating profit as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.	
<b>Adjusted operating margin</b>	Operating profit, excluding items affecting comparability, as a percentage of net sales.	Adjusted operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.	
<b>Adjusted operating profit</b>	Calculated as operating profit before financial items and tax, excluding items affecting comparability.	Adjusted operating profit is a key ratio for control of the units and provides a better understanding of earnings performance of the operations than the non-adjusted operating profit.	
<b>SEKm</b>		<b>2022</b>	<b>2021</b>
<b>ADJUSTED OPERATING PROFIT</b>			<b>2020</b>
Operating profit		9,479	13,199
Items affecting comparability		2,463	-371
<b>Adjusted operating profit</b>		<b>11,942</b>	<b>12,828</b>
Adjusted operating margin		7.6%	10.5%
			13.8%

Performance measures, cont.	Various types of performance measures and margin measures expressed as a percentage of sales		
Non-IFRS performance measure	Description	Reason for use of the measure	
<b>Financial net margin</b>	Net financial items divided by net sales.	This measure shows the relationship between net financial items and net sales.	
<b>Adjusted profit before tax</b>	Calculated as profit before tax, excluding items affecting comparability.	This is a useful measure for showing total profit for the company including financing costs, but not affected by taxes and items affecting comparability.	
<b>Adjusted tax</b>	Tax expenses for the period adjusted for tax expenses relating to items affecting comparability.	A useful measure to show the total tax expense for the period, adjusted for taxes related to items affecting comparability.	
<b>SEKm</b>		<b>2022</b>	<b>2021</b>
<b>ADJUSTED TAX</b>			<b>2020</b>
Tax		-2,045	-2,727
Tax relating to items affecting comparability		-200	-76
<b>Adjusted tax</b>		<b>-2,245</b>	<b>-2,803</b>
			<b>-4,054</b>
Non-IFRS performance measure	Description	Reason for use of the measure	
<b>Adjusted profit for the period</b>	Profit for the period excluding items affecting comparability.	Shows the period's total underlying earnings capacity excluding items affecting comparability.	
<b>Net margin</b>	Profit for the period as a percentage of net sales for the year.	The net margin shows the remaining share of net sales after all of the company's costs, including income tax, have been deducted.	
<b>Earnings per share</b>	Profit for the period attributable to owners of the Parent company divided by the number of shares outstanding.	Earnings per share is a good measure of the company's profitability and is used to determine the value of a company's outstanding shares.	
<b>Adjusted earnings per share</b>	Adjusted earnings for the period attributable to owners of the Parent company, excluding amortization of acquisition-related intangible assets after tax divided by number of shares.	Adjusted earnings per share is a good measure of the company's profitability and is used to determine the value of a company's outstanding shares. The measure is a good complement to enable comparison of earnings per share with other companies, regardless of whether business activities are based on acquisitions or organic growth.	

## A2. Use of alternative performance measures, cont.

Cash flow performance measures	Various performance measures and costs that have impacted the company's cash flow	
Non-IFRS performance measure	Description	Reason for use of the measure
<b>Cash earnings</b>	Cash earnings consist of the net of operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA), financial income and expenses and income taxes.	A financial measure used when calculating the company's debt payment capacity, see page 83.
<b>Adjusted cash earnings</b>	Adjusted cash earnings consist of the net of adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA), financial income and expenses and income taxes.	A financial measure used when calculating the company's debt payment capacity, see page 83.
<b>Operating cash surplus</b>	Calculated as operating profit with a reversal of depreciation, amortization and impairment of property, plant and equipment and intangible assets. Share of profits of associates and joint ventures, items affecting comparability and capital gains/losses are excluded.	This measure shows the cash flow generated by profit and is part of the follow-up of cash flow.
<b>Investments in non-current assets, net</b>	Investments in non-current assets, net, to maintain competitiveness, such as maintenance, rationalization and replacement measures or investments of an environmental nature and strategic investments in sites.	Shows the size of the capital expenditures required to maintain existing manufacturing capacity and investments in expansion and other growth measures.
<b>Operating cash flow before investments in operating assets through leases</b>	Operating cash flow consists of the sum of operating cash surplus and change in working capital, with deductions for net investments in non-current assets and restructuring costs.	This is an important control measure of operating activities that the units have control over.
<b>Investments in operating assets through leases</b>	Additional right-of-use of assets directly attributable to operating activities. Mainly leases for distribution centers.	Investments in operating assets through leases is part of the follow-up of cash flow that the units have control over.
<b>Operating cash flow</b>	Consists of the sum of operating cash surplus and change in working capital, with deductions for net investments in non-current assets and restructuring costs and investments in operating assets through leases.	This is an important control measure of operating activities that the units have control over.
<b>Investments in non-operating assets through leases</b>	Additional right-of-use of assets that are not directly attributable to operating activities, mainly leases for offices.	Investments through leases in non-operating assets that the units do not have control over. These are recognized in the operating cash flow statement as an explanatory item in changes to net debt.

SEKm	2022	2021	2020
<b>OPERATING CASH FLOW</b>			
<b>Health &amp; Medical</b>			
Operating cash surplus	3,789	4,629	4,575
Change in working capital	-831	-103	48
Investments in non-current assets, net	-784	-761	-529
Restructuring costs, etc.	168	88	69
<b>Operating cash flow before investments in operating assets through leases</b>	<b>2,342</b>	<b>3,853</b>	<b>4,163</b>
Investments in operating assets through leases	-50	-21	-22
<b>Operating cash flow</b>	<b>2,292</b>	<b>3,832</b>	<b>4,141</b>
<b>Consumer Goods</b>			
Operating cash surplus	11,595	11,632	15,331
Change in working capital	-1,719	34	-360
Investments in non-current assets, net	-4,103	-4,581	-4,320
Restructuring costs, etc.	-373	-457	-589
<b>Operating cash flow before investments in operating assets through leases</b>	<b>5,400</b>	<b>6,628</b>	<b>10,062</b>
Investments in operating assets through leases	-419	-300	-263
<b>Operating cash flow</b>	<b>4,981</b>	<b>6,328</b>	<b>9,799</b>
<b>Professional Hygiene</b>			
Operating cash surplus	6,386	4,782	5,479
Change in working capital	-1,062	-705	-360
Investments in non-current assets, net	-1,213	-941	-1,135
Restructuring costs, etc.	-636	-466	-677
<b>Operating cash flow before investments in operating assets through leases</b>	<b>3,475</b>	<b>2,670</b>	<b>3,307</b>
Investments in operating assets through leases	-78	-158	-124
<b>Operating cash flow</b>	<b>3,397</b>	<b>2,512</b>	<b>3,183</b>

## B. Sales and earnings

### B1. Net sales – Revenues from contracts with customers

#### Accounting principles and key assessments and assumptions [AP](#) [KAA](#)

Essity applies IFRS 15 Revenue from Contracts with Customers that regulates revenue recognition and disclosure requirements for commercial agreements (contracts) with customers. The standard pertains to commercial agreements with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognized independently.

#### Revenue recognition

Essity primarily generates revenues from the sale of finished products to, for example, the retail sector, industries and the healthcare sector. Revenue from sales of services occurs to a certain extent but only accounts for a small portion of the Group's sales. Essity's operations and sales are divided into various segments that sell different products in several regions. The product portfolio is diversified but the principles for revenue recognition are the same for all segments. For a description of the products, see the section on Essity's three business areas, Health & Medical, Consumer Goods and Professional Hygiene on pages 27–33. Essity's contracts with customers primarily comprise framework agreements without established minimum volumes, which means that a binding contract according to IFRS 15 criteria does not arise until the customer places an order.

#### Performance obligations and timing of revenue recognition

Essity's performance obligations in the contracts involve providing the goods specified in the contracts. The performance obligations are satisfied and the revenue recognized when control of the products is passed to the customer. The timing of when control is passed to the customer is determined by the terms of delivery (Incoterms) applied in the contract. For most supply contracts, control is passed when the goods have been delivered to the customer's warehouse and the customer thereby can control the use and receive the benefits of the goods. Invoicing is normally done in connection with, or directly after, delivery and recognized at a specific point in time, no revenue is recognized over time. Essity has chosen to apply the practical expedient in IFRS 15 not to disclose the remaining performance obligations that have a term of less than one year.

#### Determination of transaction price

The transaction price primarily comprises the fixed price of the quantity sold less estimated volume discounts. Marketing subsidies and discount vouchers that reduce Essity's recognized revenue exist only to a very limited extent.

The outcome of volume discounts is continuously assessed over the year and reduces recognized revenues in parallel with a provision being made that includes the estimated discounts for each customer. At year-end, the final volume discounts are determined on the basis of the actual sales volume and the provision is reduced in the following year when the discount is credited to the customer. Marketing subsidies entail that the customer receives a discount for carrying out marketing activities. In certain cases, Essity reimburses customers in the retail sector in accordance with contracts for loss of income due to discount vouchers used by consumers. The probable outcome of used discount vouchers and thus discounts provided during the reporting period is assessed and revised every time the accounts are closed. Customers have only limited rights to return products and historically returned volumes have been low. Essity essentially grants customers no right of return except when the products are faulty. When the right arises to return goods sold, a liability is recognized for the repayment that is expected to be made and an asset is recognized for the right to recover the goods. Past experience is used to estimate the share of returns at the time of sale and revenue is only recognized for products that are not expected to be returned. The total transaction price is estimated at the amount that Essity deems will accrue to the company when the contract is signed with respect to volume discounts and any marketing subsidies, discount vouchers and returns. The transaction price is updated if the conditions forming the basis of the estimate have significantly changed.

#### Trade receivables

Once the goods and services have been delivered and control has been passed to the customer, a trade receivable is recognized since this is the point in time when the consideration becomes unconditional, only the passage of time is required for payment to be made.

#### Contract liabilities

Contract liabilities pertain to liabilities for volume discounts and advance payments from customers. Both items are recognized under Other current liabilities. Advance payments from customers are normally recognized as revenue in the subsequent fiscal year.

#### Assets that have arisen from expenses to fulfill contracts with customers

In the Professional Hygiene business area, Essity supplies dispensers to customers to fulfill contracts for delivery of the business area's other products, refer to page 32. Expenses for these dispensers are recognized as prepaid expenses under Other non-current assets since Essity expects to cover these expenses through the sale of the business area's other products. The dispensers are depreciated over three years according to the average term of the contract with customers. Recognition takes place in accordance with the rules in IFRS 15 since the expense is directly linked to securing contracts with customers. The rules on Property, Plant and Equipment in IAS 16 and IAS 2 Inventories are not deemed to be applicable since there are no economic benefits associated with the dispenser after it has been delivered to the customer.

#### New segment division as of January 1, 2022:

On October 22, 2021, Essity announced that the company had decided on new business areas which, as of January 1, 2022, consist of Health & Medical, Consumer Goods and Professional Hygiene. See Note B2 on page 89 for the reasoning and background to the change. The Health & Medical and Consumer Goods business areas have replaced the former Personal Care and Consumer Tissue business areas and amounts for the comparative years of 2021 and 2020 have therefore been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.

The tables below show consolidated net sales broken down by operating segment: Health & Medical, Consumer Goods and Professional Hygiene.

Net sales in geographic markets reflects the perspective – sold to, which is based on sales to the countries where Essity has its customers, known as its “footprint.” See pages 91–92 for further information.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
<b>2022</b>					
<b>Revenue from contracts with customers</b>					
Sale of finished products	25,231	94,826	36,083	–21	156,119
Sale of services	8	15	31	–	54
<b>Total revenues from contracts with customers <a href="#">IS</a></b>	<b>25,239</b>	<b>94,841</b>	<b>36,114</b>	<b>–21</b>	<b>156,173</b>
<b>Geographic markets</b>					
Europe	15,692	50,418	15,950	–21	82,039
North America	4,609	1,992	14,547		21,148
Latin America	1,302	17,404	2,420		21,126
Asia	1,979	22,974	1,899		26,852
Other	1,657	2,053	1,298		5,008
<b>Total revenues from contracts with customers <a href="#">IS</a></b>	<b>25,239</b>	<b>94,841</b>	<b>36,114</b>	<b>–21</b>	<b>156,173</b>
<b>Product category</b>					
Incontinence Products	14,806	10,031			24,837
Baby Care		8,528			8,528
Feminine Care		11,602			11,602
Medical Solutions	10,433				10,433
Consumer Tissue		64,198			64,198
Professional Hygiene			36,114		36,114
Other		482		–21	461
<b>Total revenues from contracts with customers <a href="#">IS</a></b>	<b>25,239</b>	<b>94,841</b>	<b>36,114</b>	<b>–21</b>	<b>156,173</b>

## B1. Net sales – Revenues from contracts with customers, cont.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
<b>2021</b>					
<b>Revenue from contracts with customers</b>					
Sale of finished products	21,674	74,012	26,112	-1	121,797
Sale of services	11	28	31	-	70
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,685</b>	<b>74,040</b>	<b>26,143</b>	<b>-1</b>	<b>121,867</b>
<b>Geographic markets</b>					
Europe	14,100	39,847	11,595	-1	65,541
North America	3,519	1,369	10,360	-	15,248
Latin America	965	13,311	1,639	-	15,915
Asia	1,737	18,491	1,854	-	22,082
Other	1,364	1,022	695	-	3,081
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,685</b>	<b>74,040</b>	<b>26,143</b>	<b>-1</b>	<b>121,867</b>
<b>Product category</b>					
Incontinence Products	12,983	8,096	-	-	21,079
Baby Care	-	8,024	-	-	8,024
Feminine Care	-	8,378	-	-	8,378
Medical Solutions	8,702	-	-	-	8,702
Consumer Tissue	-	49,086	-	-	49,086
Professional Hygiene	-	-	26,143	-	26,143
Other	-	456	-	-1	455
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,685</b>	<b>74,040</b>	<b>26,143</b>	<b>-1</b>	<b>121,867</b>

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
<b>2020</b>					
<b>Revenue from contracts with customers</b>					
Sale of finished products	21,164	75,146	25,370	18	121,698
Sale of services	6	-	48	-	54
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,170</b>	<b>75,146</b>	<b>25,418</b>	<b>18</b>	<b>121,752</b>
<b>Geographic markets</b>					
Europe	13,916	42,517	11,970	18	68,421
North America	3,532	1,364	10,087	-	14,983
Latin America	778	13,105	1,386	-	15,269
Asia	1,800	17,422	1,734	-	20,956
Other	1,144	738	241	-	2,123
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,170</b>	<b>75,146</b>	<b>25,418</b>	<b>18</b>	<b>121,752</b>
<b>Product category</b>					
Incontinence Products	13,119	7,815	-	-	20,934
Baby Care	-	8,650	-	-	8,650
Feminine Care	-	7,956	-	-	7,956
Medical Solutions	8,051	-	-	-	8,051
Consumer Tissue	-	50,221	-	-	50,221
Professional Hygiene	-	-	25,418	-	25,418
Other	-	504	-	18	522
<b>Total revenues from contracts with customers</b> <b>IS</b>	<b>21,170</b>	<b>75,146</b>	<b>25,418</b>	<b>18</b>	<b>121,752</b>

### Trade receivables and contractual liabilities

SEKm	Note	2022	2021	2020
Trade receivables <b>TE3:1</b>	E3	25,990	19,871	17,825
Contractual liabilities – bonuses and discounts to customers	D5	8,016	6,253	6,070
Contractual liabilities – advance payments from customers		163	110	158

Trade receivables increased by SEK 63m in 2022 due to acquisitions but declined by SEK 0m due to divestments. Overall, trade receivables increased SEK 6,118m in 2022, due primarily to higher sales compared with the corresponding period in the preceding and exchange rate effects.

### Assets that have arisen from expenses to fulfill contracts with customers

SEKm	2022	2021	2020
<b>Value, January</b> <b>TE3:2</b>	607	587	585
Costs for the year	474	374	473
Depreciation	-481	-416	-375
Translation differences	91	62	-96
<b>Value, December 31</b>	<b>691</b>	<b>607</b>	<b>587</b>

## B2. Segment reporting

### Accounting principles **AP**

Operating segments are recognized in a manner that complies with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. At Essity, this function has been identified as the company's President, who is responsible for and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. One Executive Vice President and the Executive Management Team support him in his work. Essity's three business areas, Health & Medical, Consumer Goods and Professional Hygiene, comprise the operating segments. For management purposes, the Group is organized into business areas based on the company's customer and sales channels which lead to an expansion of the offerings to new and adjacent categories as well as extended service content on the basis of customer and consumer needs.

Essity's offering in Health & Medical comprises the categories Incontinence Products, Health Care and Medical Solutions. The offering includes incontinence products, wound care, compression therapy, orthopedics, skincare products and digital solutions with sensor technology under brands such as TENA, Leukoplast, Cutimed, JOBST, Actimove and Delta-Cast. Distribution channels are pharmacies, medical device stores, hospitals, distributors and care institutions and e-commerce.

Essity's offering in Consumer Goods includes the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue.

The offering includes incontinence products, pads, diapers, wet wipes, skin cream, intimate soaps, leakproof apparel, menstrual cups, toilet paper, household towels, handkerchiefs, facial tissues and napkins. The products are sold under brands such as the global leader TENA and other strong brands including Libero, Libresse, Nosotras, Saba, TOM Organic, Lotus, Regio, Tempo and Vinda. Distribution channels for the products are the retail trade and e-commerce.

Essity's offering in Professional Hygiene comprises complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products as well as service and maintenance under the globally leading Tork brand. Essity also offers digital solutions, such as Internet of Things sensor technology that enables data-driven cleaning. Customers consist of companies and office buildings, universities, healthcare facilities, industries, restaurants, hotels, stadiums and other public venues. Distribution channels for the products consist of distributors and e-commerce.

Other operations comprise Group-wide functions and non-allocated tax.

Essity's business is an integrated operation in the form of a matrix organization with four business units (Health & Medical, Consumer Goods EMEA, Consumer Goods Americas and Professional Hygiene) and three global units (Global Supply Chain, Global Digital and Business Services and Global Brand, Innovation and Sustainability). The business units have limited responsibility to impact operational costs, since the global units are responsible for production, planning, technology development, purchasing and product development.





## B2. Segment reporting, cont.

No business areas were aggregated to form the aforementioned segments. The President monitors the operating profit for the business areas separately in order to make decisions regarding the allocation of resources and how performance targets were achieved. The segments are evaluated based on operating profit, excluding items affecting comparability.

### New segment division as of January 1, 2022:

On October 22, 2021, Essity announced that the company had decided on new business areas which, as of January 1, 2022, consist of Health & Medical, Consumer Goods and Professional Hygiene. The new business areas are aligned with the company's customer and sales channels and lead to an expansion of the offerings to new and adjacent categories as well as extended service content on the basis of customer and consumer needs. The new areas also support the company's new growth target through strategies for organic and acquisition-driven growth and aim to achieve higher growth and profit margins as well as lower capital tied up. The Health & Medical and Consumer Goods business areas have replaced the former Personal Care and Consumer Tissue business areas and amounts for the comparative years of 2021 and 2020 have therefore been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.

The tables below show parts of the consolidated balance sheet and income statement broken down by operating segment: Health & Medical, Consumer Goods and Professional Hygiene.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Eliminations	Total Group
<b>2022</b>						
<b>REVENUES</b>						
Net sales <a href="#">IS</a> <a href="#">TB2:2</a>	25,239	94,841	36,114	-21	-	156,173
<b>RESULT</b>						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	2,903	7,211	3,998	-1,054	-	13,058
Amortization of acquisition-related intangible assets	-849	-247	-20	-	-	-1,116
Adjusted operating profit/loss per operating segment	2,054	6,964	3,978	-1,054	-	11,942
Items affecting comparability <a href="#">TB2:1</a>	-126	-1,759	-451	-127	-	-2,463
Operating profit <a href="#">IS</a>	1,928	5,205	3,527	-1,181	-	9,479
Financial income <a href="#">IS</a>						173
Financial expenses <a href="#">IS</a>						-1,543
Tax expense for the period <a href="#">IS</a>						-2,045
Profit for the period <a href="#">IS</a>						6,064
<b>OTHER DISCLOSURES</b>						
Assets	45,298	120,755	42,510	3,057	-12,629	198,991
Investments in associates and joint ventures <a href="#">BS</a>	7	288	-4	1	-	292
Unallocated financial assets				11,317		11,317
<b>Total assets <a href="#">BS</a></b>	<b>45,305</b>	<b>121,043</b>	<b>42,506</b>	<b>14,375</b>	<b>-12,629</b>	<b>210,600</b>
Net investments/acquisitions	-841	-9,024	-1,737	-775		-12,377
Depreciation/amortization	-1,733	-4,518	-1,897	-259		-8,407
Expenses, in addition to depreciation/amortization, not matched by payments	2	106	513	1		622
<b>NET SALES BY REGION</b>						
Europe	62%	53%	44%			53%
North America	18%	2%	40%			13%
Latin America	5%	19%	7%			14%
Asia	8%	24%	5%			17%
Other	7%	2%	4%			3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>
Mature markets	80%	51%	81%			63%
Emerging markets	20%	49%	19%			37%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Eliminations	Total Group
<b>2021</b>						
<b>REVENUES</b>						
Net sales <a href="#">IS</a> <a href="#">TB2:2</a>	21,685	74,040	26,143	-1	-	121,867
<b>RESULT</b>						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	3,821	7,938	2,710	-789	-	13,680
Amortization of acquisition-related intangible assets	-720	-123	-9	-	-	-852
Adjusted operating profit/loss per operating segment	3,101	7,815	2,701	-789	-	12,828
Items affecting comparability <a href="#">TB2:1</a>	67	156	213	-65	-	371
Operating profit <a href="#">IS</a>	3,168	7,971	2,914	-854	-	13,199
Financial income <a href="#">IS</a>						102
Financial expenses <a href="#">IS</a>						-764
Tax expense for the period <a href="#">IS</a>						-2,727
Profit for the period <a href="#">IS</a>						9,810
<b>OTHER DISCLOSURES</b>						
Assets	40,348	94,957	34,502	3,289	-5,190	167,906
Investments in associates and joint ventures <a href="#">BS</a>	3	237	-1	-	-	239
Unallocated financial assets				6,905		6,905
<b>Total assets <a href="#">BS</a></b>	<b>40,351</b>	<b>95,194</b>	<b>34,501</b>	<b>10,194</b>	<b>-5,190</b>	<b>175,050</b>
Net investments/acquisitions	-3,105	-12,436	-3,034	-1,022	-	-19,597
Depreciation/amortization	-1,530	-3,782	-1,686	-216		-7,214
Expenses, in addition to depreciation/amortization, not matched by payments	3	73	413	-	-	489
<b>NET SALES BY REGION</b>						
Europe	65%	54%	44%			54%
North America	16%	2%	40%			12%
Latin America	5%	18%	6%			13%
Asia	8%	25%	7%			18%
Other	6%	1%	3%			3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>
Mature markets	80%	51%	79%			62%
Emerging markets	20%	49%	21%			38%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>



## B2. Segment reporting, cont.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Eliminations	Total Group
<b>2020</b>						
<b>REVENUES</b>						
Net sales <b>IS</b> <b>TB2:2</b>	21,170	75,146	25,418	18		121,752
<b>RESULT</b>						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	3,668	11,538	3,317	-897	-	17,626
Amortization of acquisition-related intangible assets	-747	-25	-37	-	-	-809
Adjusted operating profit/loss per operating segment	2,921	11,513	3,280	-897	-	16,817
Items affecting comparability <b>TB2:1</b>	-92	-87	-12	132	-	-59
Operating profit/loss <b>IS</b>	2,829	11,426	3,268	-765	-	16,758
Financial income <b>IS</b>						108
Financial expenses <b>IS</b>						-1,066
Tax expense for the period <b>IS</b>						-4,053
Profit for the period <b>IS</b>						11,747
<b>OTHER DISCLOSURES</b>						
Assets	37,092	80,614	28,723	-729	-1,429	144,271
Investments in associates and joint ventures <b>BS</b>	2	726	118	1	-	847
Unallocated financial assets				9,527		9,527
<b>Total assets</b> <b>BS</b>	<b>37,094</b>	<b>81,340</b>	<b>28,841</b>	<b>8,799</b>	<b>-1,429</b>	<b>154,645</b>
Net investments/acquisitions	-1,298	-4,583	-1,259	-455	-	-7,595
Depreciation/amortization	-1,657	-3,736	-1,788	-168	-	-7,349
Expenses, in addition to depreciation/amortization, not matched by payments	1	18	439	-2	-	456
<b>NET SALES BY REGION</b>						
Europe	66%	57%	47%			56%
North America	17%	2	40%			12%
Latin America	3%	17%	5%			13%
Asia	9%	23%	7%			17%
Other	5%	1	1%			2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>
Mature markets	81%	52%	80%			63%
Emerging markets	19%	48%	20%			37%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>

### Items affecting comparability allocated by operating segment **TB2:1**

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other	Total
<b>2022</b>					
Items affecting comparability - cost of goods sold	-74	-1,685	-137	-3	-1,899
Items affecting comparability - sales, general and administration	-52	-34	-62	-124	-272
Items affecting comparability - acquisition-related intangible assets		-40	-252		-292
<b>Total</b>	<b>-126</b>	<b>-1,759</b>	<b>-451</b>	<b>-127</b>	<b>-2,463</b>
<b>2021</b>					
Items affecting comparability - cost of goods sold	25	-102	-69		-146
Items affecting comparability - sales, general and administration	42	258	282	-65	517
<b>Total</b>	<b>67</b>	<b>156</b>	<b>213</b>	<b>-65</b>	<b>371</b>
<b>2020</b>					
Items affecting comparability - cost of goods sold	-63	-69	-49		-181
Items affecting comparability - sales, general and administration	-29	-18	37	132	122
<b>Total</b>	<b>-92</b>	<b>-87</b>	<b>-12</b>	<b>132</b>	<b>-59</b>

**Assets and liabilities:** The assets included in each operating segment comprise all operating assets used in the operating segment, primarily trade receivables, inventories and non-current assets after deduction for operating liabilities and provisions. Most of the assets are directly attributable to each operating segment. Assets that are common to two or more operating segments are allocated among the operating segments.

**Internal sales:** No internal sales are carried out between the segments. Production in shared facilities is allocated among the segments already at the operational reporting stage.

**Customers:** Essity had no customers in 2022, 2021 or 2020 from which it generated income that accounted for more than 10% of the company's net sales. Essity's ten largest customers account for 20.8% (19.6; 22.5) of the company's sales.

## B2a. Segment reporting, cont.

Group by country <b>TB2:2</b>	Net sales – sold to <sup>1)</sup>						Net sales – sold by <sup>1)</sup>					
	2022		2021		2020		2022		2021		2020	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
<b>Sweden</b>	<b>3,496</b>	<b>2.2</b>	<b>3,087</b>	<b>2.5</b>	<b>3,049</b>	<b>2.5</b>	<b>3,986</b>	<b>2.6</b>	<b>3,569</b>	<b>2.9</b>	<b>3,485</b>	<b>2.9</b>
<b>EU excluding Sweden</b>												
Germany	16,009	10.3	12,023	9.9	13,672	11.2	16,751	10.7	12,547	10.3	14,266	11.7
France	11,701	7.5	9,505	7.8	10,074	8.3	11,904	7.6	9,694	8.0	10,270	8.4
Spain	6,811	4.4	5,248	4.3	5,451	4.5	6,980	4.5	5,375	4.4	5,593	4.6
Netherlands	4,422	2.8	3,683	3.0	3,985	3.3	4,496	2.9	3,882	3.1	4,128	3.4
Italy	4,134	2.6	3,311	2.7	3,344	2.7	4,379	2.8	3,589	3.0	3,616	3.0
Austria	2,537	1.6	1,905	1.6	1,967	1.6	2,770	1.8	2,093	1.8	2,168	1.8
Finland	1,855	1.2	1,606	1.3	1,639	1.3	1,826	1.2	1,601	1.3	1,653	1.4
Denmark	1,799	1.2	1,405	1.2	1,407	1.2	1,773	1.2	1,447	1.2	1,447	1.2
Belgium	1,786	1.2	1,506	1.2	1,700	1.4	1,937	1.1	1,626	1.3	1,795	1.5
Hungary	1,357	0.9	1,046	0.9	1,067	0.9	1,422	0.9	1,138	0.9	1,148	0.9
Poland	1,283	0.8	998	0.8	976	0.8	1,355	0.9	1,069	0.9	1,035	0.8
Czech Republic	920	0.6	747	0.6	697	0.6	922	0.6	750	0.6	687	0.6
Ireland	721	0.5	575	0.5	577	0.5	662	0.4	522	0.4	507	0.4
Romania	573	0.4	454	0.4	415	0.3	495	0.3	408	0.3	393	0.3
Portugal	555	0.4	432	0.3	402	0.3	396	0.2	339	0.3	335	0.3
Greece	513	0.3	494	0.4	528	0.4	337	0.2	270	0.2	306	0.2
Croatia	446	0.3	352	0.3	330	0.3	-	-	-	-	-	-
Slovakia	370	0.3	309	0.2	328	0.3	619	0.4	483	0.4	474	0.4
Lithuania	322	0.2	252	0.2	236	0.2	322	0.2	252	0.2	236	0.2
Latvia	234	0.1	165	0.1	178	0.1	230	0.2	162	0.2	176	0.2
Estonia	204	0.1	157	0.1	161	0.1	204	0.1	157	0.1	160	0.1
UK <sup>2)</sup>	-	-	-	-	749	0.6	-	-	-	-	761	0.6
Rest of EU excluding Sweden	497	0.4	363	0.4	394	0.4	-	-	-	-	-	-
<b>Total EU excluding Sweden</b>	<b>59,049</b>	<b>38.1</b>	<b>46,536</b>	<b>38.2</b>	<b>50,277</b>	<b>41.3</b>	<b>59,780</b>	<b>38.2</b>	<b>47,404</b>	<b>38.9</b>	<b>51,154</b>	<b>42.0</b>
<b>Rest of Europe</b>												
UK <sup>2)</sup>	11,099	7.1	9,079	7.5	8,234	6.8	11,230	7.2	9,154	7.5	8,369	6.9
Russia	3,349	2.2	2,844	2.3	2,862	2.3	3,559	2.3	3,044	2.5	3,060	2.5
Switzerland	2,041	1.3	1,474	1.2	1,588	1.3	1,980	1.3	1,426	1.2	1,540	1.2
Norway	1,770	1.1	1,435	1.2	1,321	1.1	1,776	1.1	1,428	1.2	1,304	1.1
Ukraine	451	0.3	405	0.3	399	0.3	420	0.3	355	0.3	352	0.3
Turkey	251	0.2	219	0.2	262	0.2	249	0.2	222	0.2	280	0.2
Rest of Europe, excluding EU	533	0.4	462	0.4	429	0.4	-	-	-	-	-	-
<b>Total Rest of Europe</b>	<b>19,494</b>	<b>12.6</b>	<b>15,918</b>	<b>13.1</b>	<b>15,095</b>	<b>12.4</b>	<b>19,214</b>	<b>12.4</b>	<b>15,629</b>	<b>12.9</b>	<b>14,905</b>	<b>12.2</b>
<b>TOTAL EUROPE</b>	<b>82,039</b>	<b>52.9</b>	<b>65,541</b>	<b>53.8</b>	<b>68,421</b>	<b>56.2</b>	<b>82,980</b>	<b>53.2</b>	<b>66,602</b>	<b>54.7</b>	<b>69,544</b>	<b>57.1</b>

1) Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where Essity has its customers, or Essity's "footprint". The second column "Net sales – sold by" takes the perspective of IFRS 8, meaning revenue from external customers where the company is domiciled and in all other countries from which the company receives revenues.

2) The UK is included in the group EU excluding Sweden up to and including January 2020. Following its exit from the EU, the UK is included in the group Rest of Europe as of February 2020.

## B2a. Segment reporting, cont.

Group by country <b>TB2:2</b>	Net sales – sold to <sup>1)</sup>						Net sales – sold by <sup>1)</sup>					
	2022		2021		2020		2022		2021		2020	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
<b>North America</b>												
USA	18,179	11.7	13,275	10.9	13,016	10.7	18,178	11.6	13,104	10.8	12,880	10.6
Canada	2,963	1.9	1,969	1.6	1,962	1.6	2,968	1.9	2,002	1.6	1,987	1.6
Rest of North America	6	0.0	4	0.0	5	0.0	–	–	–	–	–	–
<b>TOTAL NORTH AMERICA</b>	<b>21,148</b>	<b>13.6</b>	<b>15,248</b>	<b>12.5</b>	<b>14,983</b>	<b>12.3</b>	<b>21,146</b>	<b>13.5</b>	<b>15,106</b>	<b>12.4</b>	<b>14,867</b>	<b>12.2</b>
<b>Latin America</b>												
Mexico	8,419	5.4	6,122	5.0	5,754	4.7	9,257	5.9	6,749	5.5	6,250	5.1
Colombia	4,579	2.9	3,808	3.1	3,594	3.0	4,794	3.1	3,959	3.2	3,750	3.1
Ecuador	1,766	1.1	1,405	1.2	1,505	1.3	1,737	1.1	1,388	1.1	1,487	1.2
Chile	1,192	0.8	1,014	0.8	879	0.7	1,204	0.8	1,024	0.8	883	0.7
Brazil	1,024	0.7	634	0.5	526	0.4	1,024	0.7	635	0.5	526	0.4
Peru	684	0.5	492	0.4	558	0.5	665	0.4	483	0.4	550	0.5
Argentina	647	0.4	343	0.3	351	0.3	648	0.4	358	0.3	369	0.3
Dominican Republic	625	0.4	452	0.4	442	0.4	625	0.4	452	0.4	442	0.4
Costa Rica	581	0.4	435	0.4	486	0.4	719	0.5	549	0.5	588	0.5
Puerto Rico	245	0.2	216	0.2	212	0.2	194	0.1	170	0.1	169	0.1
Guatemala	221	0.1	154	0.1	136	0.1	–	–	–	–	–	–
Nicaragua	217	0.2	179	0.1	171	0.1	–	–	–	–	–	–
Panama	212	0.1	147	0.1	154	0.1	–	–	–	–	–	–
Rest of Latin America	714	0.5	514	0.5	501	0.4	216	0.2	175	0.2	198	0.2
<b>TOTAL LATIN AMERICA</b>	<b>21,126</b>	<b>13.7</b>	<b>15,915</b>	<b>13.1</b>	<b>15,269</b>	<b>12.6</b>	<b>21,083</b>	<b>13.6</b>	<b>15,942</b>	<b>13.0</b>	<b>15,212</b>	<b>12.5</b>
<b>Asia</b>												
China	21,099	13.5	17,183	14.1	16,021	13.2	21,438	13.7	17,493	14.3	16,421	13.5
Malaysia	2,117	1.4	1,744	1.4	1,762	1.4	2,388	1.5	2,045	1.7	2,055	1.7
Japan	858	0.5	931	0.8	1,003	0.8	533	0.3	580	0.5	646	0.5
Singapore	377	0.3	311	0.3	321	0.3	315	0.2	253	0.2	263	0.2
South Korea	272	0.2	238	0.2	217	0.2	243	0.2	208	0.2	202	0.2
Indonesia	252	0.3	195	0.1	187	0.2	257	0.2	251	0.2	239	0.2
India	238	0.2	191	0.1	153	0.1	233	0.1	187	0.2	155	0.1
Rest of Asia	1,639	0.9	1,289	1.1	1,292	1.0	765	0.4	586	0.5	620	0.5
<b>TOTAL ASIA</b>	<b>26,852</b>	<b>17.3</b>	<b>22,082</b>	<b>18.1</b>	<b>20,956</b>	<b>17.2</b>	<b>26,172</b>	<b>16.6</b>	<b>21,603</b>	<b>17.8</b>	<b>20,601</b>	<b>16.9</b>
<b>Rest of the world</b>												
Australia	2,923	1.4	1,689	1.3	865	0.7	2,902	1.9	1,453	1.1	468	0.4
New Zealand	1,291	0.6	722	0.6	168	0.1	1,261	0.8	674	0.6	132	0.1
South Africa	345	0.2	293	0.2	263	0.2	435	0.3	382	0.3	352	0.3
Other Rest of the world	449	0.3	377	0.4	827	0.7	194	0.1	105	0.1	576	0.5
<b>TOTAL REST OF THE WORLD</b>	<b>5,008</b>	<b>2.5</b>	<b>3,081</b>	<b>2.5</b>	<b>2,123</b>	<b>1.7</b>	<b>4,792</b>	<b>3.1</b>	<b>2,614</b>	<b>2.1</b>	<b>1,528</b>	<b>1.3</b>
<b>Total Group</b>	<b>156,173</b>	<b>100.0</b>	<b>121,867</b>	<b>100.0</b>	<b>121,752</b>	<b>100.0</b>	<b>156,173</b>	<b>100.0</b>	<b>121,867</b>	<b>100.0</b>	<b>121,752</b>	<b>100.0</b>

1) Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where Essity has its customers, or Essity's "footprint". The second column "Net sales – sold by" takes the perspective of IFRS 8, meaning revenue from external customers where the company is domiciled and in all other countries from which the company receives revenues.



## B2b. Segment reporting, cont.

Group by country <b>TB2:2</b>	Average number of employees <sup>1)</sup>						Non-current assets <sup>2)</sup>					
	2022	Of whom men, %	Of whom women, %	2021	Of whom men, %	Of whom women, %	2020	Of whom men, %	Of whom women, %	2022 SEKm	2021 SEKm	2020 SEKm
<b>Sweden</b>	<b>2,040</b>	<b>52</b>	<b>48</b>	<b>2,018</b>	<b>53</b>	<b>47</b>	<b>1,987</b>	<b>54</b>	<b>46</b>	<b>5,126</b>	<b>4,818</b>	<b>4,192</b>
<b>EU excluding Sweden</b>												
Germany	4,244	74	26	4,145	75	25	4,066	75	25	26,822	24,981	25,320
France	2,294	66	34	2,285	67	33	2,274	68	32	8,861	7,807	7,380
Netherlands	1,163	83	17	1,142	84	16	1,122	84	16	3,509	3,423	3,267
Spain	1,156	73	27	1,104	75	25	1,072	77	23	3,516	3,355	3,386
Slovakia	964	62	38	907	62	38	883	62	38	636	642	685
Italy	900	75	25	869	75	25	876	76	24	4,049	3,756	3,313
Poland	797	72	28	803	72	28	811	73	27	1,612	1,550	1,586
Austria	497	83	17	500	84	16	524	83	17	888	813	808
Belgium	453	82	18	441	80	20	455	81	19	759	657	668
Finland	282	70	30	294	72	28	292	73	27	1,047	1,034	1,097
Denmark	116	41	59	113	42	58	109	45	55	34	34	38
Hungary	106	39	61	107	37	63	105	38	62	11	12	9
Czech Republic	59	49	51	60	48	52	58	50	50	12	5	7
Greece	45	53	47	44	55	45	44	55	45	12	12	14
Portugal	40	47	53	20	55	45	20	60	40	148	76	75
UK <sup>3)</sup>	-	-	-	-	-	-	122	76	24	-	-	-
Rest of EU excluding Sweden	103	42	58	101	44	56	98	39	61	56	49	52
<b>Total EU excluding Sweden</b>	<b>13,219</b>	<b>72</b>	<b>28</b>	<b>12,935</b>	<b>72</b>	<b>28</b>	<b>12,931</b>	<b>73</b>	<b>27</b>	<b>51,972</b>	<b>48,206</b>	<b>47,705</b>
<b>Rest of Europe</b>												
UK <sup>3)</sup>	1,518	75	25	1,478	75	25	1,338	76	24	5,970	5,566	5,094
Russia	1,308	64	36	1,278	63	37	1,257	64	36	-	1,269	1,090
Turkey	108	73	27	113	75	25	124	77	23	20	24	39
Norway	83	48	52	84	49	51	82	50	50	9	11	13
Ukraine	65	40	60	63	43	57	67	45	55	15	21	5
Rest of Europe, excluding EU	42	40	60	41	39	61	39	38	62	61	86	80
<b>Total Rest of Europe</b>	<b>3,124</b>	<b>69</b>	<b>31</b>	<b>3,057</b>	<b>68</b>	<b>32</b>	<b>2,907</b>	<b>69</b>	<b>31</b>	<b>6,075</b>	<b>6,977</b>	<b>6,321</b>
<b>TOTAL EUROPE</b>	<b>18,383</b>	<b>69</b>	<b>31</b>	<b>18,010</b>	<b>70</b>	<b>30</b>	<b>17,825</b>	<b>70</b>	<b>30</b>	<b>63,173</b>	<b>60,001</b>	<b>58,218</b>

- 1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters. As of 2022, Essity bases its calculation in this note on full-time equivalents; in previous years this calculation was based on the total number part-time and full-time employees. Figures for the comparative years of 2021 and 2020 have been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.
- 2) Information about non-current assets by country refers to intangible assets and property, plant and equipment according to Notes D1 and D2 and right-of-use assets according to Note G1.
- 3) The UK is included in the group EU excluding Sweden up to and including January 2020. Following its exit from the EU, the UK is included in the group Rest of Europe as of February 2020.

## B2b. Segment reporting, cont.

Group by country <b>TB2:2</b>	Average number of employees <sup>1)</sup>									Non-current assets <sup>2)</sup>		
	2022	Of whom men, %	Of whom women, %	2021	Of whom men, %	Of whom women, %	2020	Of whom men, %	Of whom women, %	2022 SEKm	2021 SEKm	2020 SEKm
<b>North America</b>												
USA	3,211	71	29	3,050	71	29	3,109	71	29	21,696	19,187	16,529
Canada	336	58	42	284	65	35	283	65	35	4,979	588	537
<b>TOTAL NORTH AMERICA</b>	<b>3,547</b>	<b>70</b>	<b>30</b>	<b>3,334</b>	<b>71</b>	<b>29</b>	<b>3,392</b>	<b>71</b>	<b>29</b>	<b>26,675</b>	<b>19,775</b>	<b>17,066</b>
<b>Latin America</b>												
Mexico	3,574	66	34	3,198	68	32	3,003	69	31	6,059	4,721	4,366
Colombia	3,413	69	31	3,447	67	33	3,395	67	33	2,013	2,062	2,025
Ecuador	979	72	28	1,008	71	29	1,046	69	31	699	618	542
Brazil	494	54	46	498	55	45	527	59	41	496	398	411
Chile	470	71	29	438	72	28	420	73	27	634	567	596
Argentina	310	63	37	307	66	34	367	66	34	26	35	26
Dominican Republic	257	68	32	262	67	33	250	68	32	263	224	200
Peru	135	49	51	132	54	46	132	41	59	395	336	343
Costa Rica	98	55	45	93	55	45	92	54	46	6	6	11
Rest of Latin America	56	41	59	57	42	58	54	43	57	2	3	3
<b>TOTAL LATIN AMERICA</b>	<b>9,786</b>	<b>67</b>	<b>33</b>	<b>9,440</b>	<b>67</b>	<b>33</b>	<b>9,286</b>	<b>67</b>	<b>33</b>	<b>10,593</b>	<b>8,970</b>	<b>8,523</b>
<b>Asia</b>												
China	10,050	58	42	9,779	58	42	9,406	57	43	20,114	19,249	16,309
Malaysia	1,407	45	55	1,360	44	56	1,361	44	56	2,354	1,867	1,570
India	318	91	9	323	90	10	330	91	9	68	70	70
Pakistan	227	74	26	230	73	27	240	73	27	5	5	4
Indonesia	156	64	36	156	65	35	153	67	33	416	413	396
Japan	114	44	56	120	41	59	118	42	58	58	68	68
Singapore	40	30	70	37	30	70	34	29	71	7	2	3
Rest of Asia	356	54	46	361	54	46	365	53	47	974	911	817
<b>TOTAL ASIA</b>	<b>12,668</b>	<b>57</b>	<b>43</b>	<b>12,366</b>	<b>57</b>	<b>43</b>	<b>12,007</b>	<b>57</b>	<b>43</b>	<b>23,996</b>	<b>22,585</b>	<b>19,237</b>
<b>Rest of the world</b>												
Australia	391	53	47	203	49	51	97	37	63	5,549	4,411	839
South Africa	385	43	57	388	44	56	402	43	57	675	635	643
New Zealand	316	71	29	146	64	36	40	25	75	2,327	2,112	3
Fiji	86	78	22	40	80	20	–	–	–	42	38	–
Other Rest of the world	1	100	–	188	86	14	940	86	14	–	–	–
<b>TOTAL REST OF THE WORLD</b>	<b>1,179</b>	<b>56</b>	<b>44</b>	<b>965</b>	<b>58</b>	<b>42</b>	<b>1,479</b>	<b>70</b>	<b>30</b>	<b>8,593</b>	<b>7,196</b>	<b>1,485</b>
<b>Total Group</b>	<b>45,563</b>	<b>65</b>	<b>35</b>	<b>44,115</b>	<b>65</b>	<b>35</b>	<b>43,989</b>	<b>66</b>	<b>34</b>	<b>133,030</b>	<b>118,527</b>	<b>104,529</b>

- 1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters. As of 2022, Essity bases its calculation in this note on full-time equivalents; in previous years this calculation was based on the total number part-time and full-time employees. Figures for the comparative years of 2021 and 2020 have been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.
- 2) Information about non-current assets by country refers to intangible assets and property, plant and equipment according to Notes D1 and D2 and right-of-use assets according to Note G1.

## B3. Operating expenses

### Operating expenses by function and type of cost

#### Operating expenses by function

SEKm	2022	2021	2020
Cost of goods sold <a href="#">IS</a>	-117,046	-86,628	-82,132
Sales, general and administration <a href="#">IS</a>	-26,107	-21,617	-22,088
Share of results of associates and joint ventures <a href="#">IS</a>	38	58	94
Amortization of acquisition-related intangible assets <a href="#">IS</a>	-1,116	-852	-809
Items affecting comparability <a href="#">IS</a> <a href="#">TB3:1</a>	-2,463	371	-59
<b>Total</b>	<b>-146,694</b>	<b>-108,668</b>	<b>-104,994</b>

Refer also to the Description of costs section on page 159.

#### Operating expenses by type of cost

SEKm	Note	2022	2021	2020
Other income <a href="#">TB3:2</a>		1,593	1,074	1,066
Change in inventory of finished products and products in progress <sup>1) 2)</sup>		448	-2,029	-2,477
Raw materials and consumables <sup>1)</sup>		-65,540	-45,564	-41,384
Personnel costs <sup>1)</sup>	C1	-27,870	-22,639	-22,914
Other operating expenses <sup>1) 2)</sup> <a href="#">TB3:3</a>		-44,764	-32,810	-31,754
Amortization of intangible assets <sup>1)</sup>	D1	-1,426	-1,089	-1,140
Depreciation of property, plant and equipment <sup>1)</sup>	D2, G1	-6,981	-6,125	-6,209
Impairment of intangible assets <sup>1)</sup>	D1	-323 <sup>4)</sup>	-87	-54
Impairment of property, plant and equipment <sup>1)</sup>	D2, G1	-1,867 <sup>4)</sup>	-126	-276
Reversal of impairment of property, plant and equipment <sup>1)</sup>	D2	-	36	8
Share in profits of associates and joint ventures <sup>1)</sup>	F3	38	6	71
Revaluation of previously owned shares in associates <sup>1)</sup>	F5	-	706	-
Gain/loss on divestment and liquidation <sup>1) 3)</sup>	F5	-2	-21	69
<b>Total</b>		<b>-146,694</b>	<b>-108,668</b>	<b>-104,994</b>

1) Including items affecting comparability.

2) As of 2022, Essity includes the cost of purchased finished goods for resale in the item Change in inventory of finished products and products in progress; this item was previously recognized separately in Distribution of other operating expenses in table TB3:3 below. Amounts for the comparative years of 2021 and 2020 have thus been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.

3) Including reversal of realized translation differences in divested companies to profit or loss.

4) The increase in impairment of intangible assets and property, plant and equipment for 2022 relates primarily to impairment of assets in Russia.

#### Items affecting comparability [TB3:1](#)

##### Distribution of items affecting comparability by type of cost

SEKm	2022	2021	2020
Impairment of inventory of finished products and products in progress, net	-83	-18	-9
Personnel costs	-97	20	187
Other operating expenses	-131	-85	-86
Impairment of intangible assets, net	-323	-87	-54
Impairment of property, plant and equipment, net	-1,827	-92	-143
Share in profits of associates from impairment and divestments	-	-52	-23
Revaluation of previously owned shares in associates	-	706	-
Gain/loss on divestment and liquidation	-2	-21	69
<b>Total</b>	<b>-2,463</b>	<b>371</b>	<b>-59</b>

#### Distribution of items affecting comparability

SEKm	2022
Impairment of assets in Russia	-1,718
Costs for restructuring measures	-592
Transaction costs related to acquisitions	-69
Other	-84
<b>Total</b>	<b>-2,463</b>

#### Distribution of items affecting comparability, previous periods

SEKm	2021
Revaluation of previously owned shares in associates	706
Change in liability for ongoing competition case	54
Costs for restructuring measures	-202
Transaction costs related to acquisitions	-124
Other	-63
<b>Total</b>	<b>371</b>

#### Distribution of items affecting comparability, previous periods

SEKm	2020
Gain from settlement of defined benefit pension liability	187
Gain/loss on divestment and liquidation	69
Costs for restructuring measures, Russia among other countries	-198
Increase of previous provision for legal disputes	-80
Other	-37
<b>Total</b>	<b>-59</b>

#### Other income [TB3:2](#)

SEKm	2022	2021	2020
Sales not included in core operations	1,593	1,074	1,066
<b>Total</b>	<b>1,593</b>	<b>1,074</b>	<b>1,066</b>

Other income includes rental income, which is recognized in the period covered by the rental contract, royalties and similar items, which are recognized in accordance with the implied financial effect of the contract.

## B3. Operating expenses, cont.

### Distribution of other operating expenses<sup>1)</sup> **TB3:3**

SEKm	2022	2021	2020
Transport expenses	-12,694	-9,861	-9,107
Energy costs <sup>2)</sup>	-9,630	-5,642	-4,493
Marketing costs	-7,561	-6,704	-6,745
Repairs and maintenance	-3,659	-3,065	-2,966
IT, telephony and lease of premises	-1,122	-851	-974
Other operating expenses, production	-4,952	-3,012	-3,759
Other operating expenses, distribution, sales and administration	-4,717	-3,641	-3,516
Other	-429	-34	-194
<b>Total</b>	<b>-44,764</b>	<b>-32,810</b>	<b>-31,754</b>

1) As of 2022, Essity includes the cost of purchased finished goods for resale in the item Change in inventory of finished products and products in progress; this item was previously recognized separately in Distribution of other operating expenses. Amounts for the comparative years of 2021 and 2020 have been restated compared to the figures reported in Essity's Annual and Sustainability Report for 2021.

2) After deduction for revenues from energy in the amount of SEK 704m (294; 186).

### Other disclosures

Exchange rate effects had a negative impact of SEK -158m (3; -11) on operating profit.

### Other disclosures<sup>1)</sup>

SEKm	2022	2021	2020
Government grants received	620 <sup>2)</sup>	82	241
Research and development	-1,631	-1,471	-1,559

1) These items are included in the tables above in Note B3 under the respective type of cost.

2) The increase in government grants received for 2022 pertains mainly to energy subsidies.

## B4. Auditing expenses

### Auditing expenses

SEKm	2022	2021	2020
<b>EY</b>			
Audit assignments	-72	-65	-69
Auditing activities other than the audit assignment	-2	-0	-2
Tax consultancy services	-1	-4	-2
Other assignments	-9	-4	-1
<b>Total EY</b>	<b>-84</b>	<b>-73</b>	<b>-74</b>
<b>Other auditors</b>			
Audit assignments	-15	-15	-15
Tax consultancy services	-12	-9	-14
Other assignments	-14	-4	-2
<b>Total other auditors</b>	<b>-41</b>	<b>-28</b>	<b>-31</b>
<b>Total</b>	<b>-125</b>	<b>-101</b>	<b>-105</b>

## B5. Income taxes

### Accounting principles **AP**

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

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

Deferred tax is calculated based on temporary differences between the carrying amounts and the tax base values of assets and liabilities and for tax loss carryforwards and other unutilized tax deductions where it is probable that these can be utilized against future taxable profits. Deferred taxes are measured in the balance sheet at their nominal amount and based on the tax rates enacted or substantively enacted on the balance sheet date. Deferred tax is not calculated on the initial recognition of goodwill or when an asset or liability is recognized for the first time, provided that the asset or liability is not attributable to a business combination. Essity does not recognize any deferred tax liability regarding temporary differences on undistributed earnings from shares in subsidiaries, joint ventures or associates, since Essity can control the reversal of the temporary differences and it is probable that such a reversal will not take place in the foreseeable future.

The recognition of tax effects is determined by the manner in which the underlying transaction is recognized. For items in profit or loss, the tax effect is recognized in profit or loss, with the same applying for transactions in other comprehensive income within equity, whereby the tax effect is subsequently recognized in other comprehensive income.

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

### Key assessments and assumptions **KAA**

To determine the value of current and deferred tax assets and tax liabilities on the balance sheet date, it is necessary to make certain assessments and assumptions. Given that Essity operates globally, the company monitors future changes to tax legislations in addition to the development of the business climate in many countries. These factors could impact the company's future taxable profits and thus its possibility to utilize deferred tax assets on loss carryforwards, tax credits and other temporary differences. Furthermore, Essity evaluates tax assets and tax liabilities on a regular basis.

If it is deemed probable that a chosen tax position will not be accepted by a tax authority or court, the tax liability is adjusted in accordance with the presumed outcome. Accordingly, a changed assessment of the probability of future taxable profits, or the probability that a tax authority or court will accept a chosen tax position, could have a positive or negative effect. The actual outcome may differ from the assessment that Essity has made.



## B5. Income taxes, cont.

### Tax expense

#### Tax expense (+), tax income (–)

SEKm	2022	%	2021	%	2020	%
<b>Current tax</b>						
Income tax for the period	2,495	30.8	2,699	21.5	3,603	22.8
Adjustments for prior periods <sup>1)</sup>	–258	–3.2	–12	–0.1	139	0.9
<b>Current tax expense TB5:1</b>	<b>2,237</b>	<b>27.6</b>	<b>2,687</b>	<b>21.4</b>	<b>3,742</b>	<b>23.7</b>
<b>Deferred tax</b>						
Changes in temporary differences	–83	–1.0	350	2.8	467	3.0
Adjustments for prior periods	–73	–0.9	–278	–2.2	–45	–0.3
Revaluations	–36	–0.5	–32	–0.3	–111	–0.7
<b>Deferred tax expense TB5:1 TB5:2 TB5:3</b>	<b>–192</b>	<b>–2.4</b>	<b>40</b>	<b>0.3</b>	<b>311</b>	<b>2.0</b>
<b>Tax expense IS</b>	<b>2,045</b>	<b>25.2</b>	<b>2,727</b>	<b>21.7</b>	<b>4,053</b>	<b>25.7</b>

#### Explanation of tax expense

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

#### Tax expense

SEKm	2022	%	2021	%	2020	%
Profit before tax IS	8,109		12,537		15,800	
Tax expense IS	2,045	25.2	2,727	21.7	4,053	25.7
Expected tax expense	1,857	22.9	2,883	23.0	3,789	24.0
<b>Difference</b>	<b>188</b>	<b>2.3</b>	<b>–156</b>	<b>–1.3</b>	<b>264</b>	<b>1.7</b>
<b>The difference is due to:</b>						
Permanent differences between accounting and taxable result						
Effects of subsidiary financing <sup>1)</sup>	63	0.8	49	0.4	57	0.4
Effects of acquisitions and divestments <sup>2)</sup>	3	0.0	–158	–1.3	–19	–0.1
Taxes relating to profit-taking <sup>3)</sup>	29	0.4	103	0.8	32	0.2
Other permanent effects <sup>4)</sup>	338	4.2	44	0.3	1	–0.0
Taxes related to prior periods <sup>5)</sup>	–331	–4.1	–290	–2.3	94	0.6
Changes in the value of deferred tax assets <sup>6)</sup>	74	0.9	35	0.3	44	0.3
Changes in tax rates <sup>7)</sup>	12	0.1	61	0.5	55	0.3
<b>Total</b>	<b>188</b>	<b>2.3</b>	<b>–156</b>	<b>–1.3</b>	<b>264</b>	<b>1.7</b>

1) The effects are principally attributable to financing of the operation in Germany.

2) The year 2021 relates mainly to effects of the Asaleo Care acquisition of SEK –190m.

3) Mainly attributable to taxation at source on profit-taking to the Netherlands, Germany and Sweden from Colombia of SEK 17m. The year 2021 mainly attributable to taxation at source on profit-taking to the Netherlands from Canada and Russia of SEK 51m.

4) The year 2022 primarily comprises non-deductible impairment of assets in Russia of SEK 357m.

5) Taxes attributable to earlier periods relate to offsetting of taxation at source in the Netherlands of SEK –115m, additional deduction for R&D expenses and remeasurement of deferred tax assets in Vinda of SEK –77m and remeasurement of the tax amount on non-current assets in Mexico of SEK –72m. The year 2021 relates mainly to adjustments in Italy and Mexico for the remeasurement of the tax amount on non-current assets of SEK –102m and SEK –77m, respectively, as well as a tax effect in the USA relating to loss carryforwards of SEK –64m. For the year 2020, the largest share relates to adjustments in Mexico, Germany and the Netherlands.

6) The change in value of deferred tax assets relates mainly to non-capitalized tax loss carryforwards in Brazil of SEK 43m, the corresponding effect in 2021 was SEK 46m and in 2020 was SEK 50m.

7) Relates mainly to the revaluation of a deferred tax liability in the UK of SEK 26m and a deferred tax asset in Vinda of SEK –11m. The year 2021 relates mainly to the revaluation of a deferred tax liability in the UK of SEK 18m and in Colombia of SEK 12m and in the year 2020 relates mainly to a remeasurement of SEK 87m concerning pension obligations in the UK.

### Current tax liability

#### Current tax liability (+), current tax asset (–)

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>624</b>	<b>1,541</b>	<b>1,687</b>
Current tax expense TB5:1	2,237	2,686	3,742
Paid tax OCF CF TB5:1	–2,426	–3,634	–3,917
Other changes from acquisitions, divestments and reclassifications	–85	–19	40
Translation differences	87	50	–11
<b>Value, December 31</b>	<b>437</b>	<b>624</b>	<b>1,541</b>
of which current tax liability BS	1,589	1,576	2,301
of which current tax asset BS	1,152	952	760

### Tax by country TB5:1

#### Tax expense (+), tax income (–)

#### Tax payments made by entities in different countries, paid tax (–), SEKm

Country	Current tax expense	Deferred tax expense	Total tax expense	Paid tax
Sweden	226	351	577	–280
Germany	768	–202	566	–89
Colombia	288	–18	270	–347
Russia	108	73	181	–148
Mexico	265	–128	137	–280
USA	119	18	137	–89
Poland	28	63	91	–29
France	109	–18	91	6
Austria	54	17	71	–74
Ecuador	69	–4	65	–75
Belgium	57	–2	55	–62
China	162	–111	51	–268
Norway	50	0	50	–49
Peru	43	–2	41	–40
Italy	16	24	40	–2
Finland	43	–5	38	–59
Switzerland	36	0	36	–36
Slovakia	38	–2	36	–29
Denmark	34	0	34	–38
Dominican Republic	31	–2	29	–32
New Zealand	–11	29	18	–10
Czech Republic	19	–3	16	–27
Canada	9	7	16	–102
UK	–5	10	5	–43
Australia	72	–102	–30	–103
Netherlands	–508	–38	–546	–4
Other countries <sup>1)</sup>	117	–147	–30	–117
<b>Total OCF CF IS</b>	<b>2,237</b>	<b>–192</b>	<b>2,045</b>	<b>–2,426</b>

1) Other countries comprise several countries where the tax expense and tax payments for the respective countries are of a low amount.

## B5. Income taxes, cont.

### Deferred tax liability [TB5:2](#)

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

SEKm	Value, January 1	Deferred tax expense	Other changes <sup>2)</sup>	Translation differences	Value at December 31
Intangible assets	7,675	-187	582	541	8,610
Property, plant and equipment	1,517	-473	19	240	1,303
Financial non-current assets	147	50	-3	5	199
Current assets	77	72	-30	-16	104
Provisions	-393	452	16	-81	-6
Liabilities	-1,491	12	-184	-104	-1,767
Tax credits and tax loss carryforwards	-1,412	-83	-59	-194	-1,748
Other	-558	-35	45	26	-522
<b>Total<sup>1)</sup></b>	<b>5,562</b>	<b>-192</b>	<b>386</b>	<b>417</b>	<b>6,173</b>

1) The net closing deferred tax liability comprises [BS](#) deferred tax assets of SEK 2,545m (2,012; 1,823) and [BS](#) deferred tax liabilities of SEK 8,718m (7,574; 6,150).

2) Other changes mainly include deferred tax recognized directly in other comprehensive income within equity according to IAS 19 Employee Benefits of SEK 662m and IFRS 9 Financial instruments of SEK -849m, in addition to effects from acquisitions and divestments of SEK 573m.

#### Preceding periods' deferred tax liability (+), deferred tax asset (-), SEKm [TB5:3](#)

YEAR	Value, January 1	Deferred tax expense	Other changes	Translation differences	Value at December 31
2021 <a href="#">BS</a>	4,327	40	977	218	5,562
2020 <a href="#">BS</a>	4,006	311	229	-219	4,327

### Tax loss carryforwards

Tax credits and tax loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount on the line Tax credits and tax loss carryforwards in [TB5:2](#) in the amount of SEK -1,748m.

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 5,168m (4,597; 4,342), gross, at December 31, 2022.

The change in unrecognized tax loss carryforwards for the period includes SEK 568m in exchange rate effects, SEK -46m that has expired and SEK 49m that was either utilized or capitalized. The tax value of non-capitalized tax loss carryforwards amounted to SEK 1,459m (1,256; 1,145). The useful lives of these tax loss carryforwards are distributed as follows:

#### Tax loss carryforwards, gross, for which no deferred tax assets were recognized, SEKm

Year of maturity	2022	2021	2020
Within 1 year	3	14	13
2 years	6	46	43
3 years	9	64	13
4 years	-	8	66
5 years or more	509	451	426
Indefinite useful life	4,641	4,014	3,781
<b>Total</b>	<b>5,168</b>	<b>4,597</b>	<b>4,342</b>

## C. Employees

### C1. Personnel costs

The table below presents the Group's total personnel costs.

Personnel costs				
SEKm	Note	2022	2021	2020
Salaries and remuneration		-19,506	-15,854	-16,228
of which Group Executive Management Team	TC2:1	-171	-91	-103
of which Board of Directors	C3	-12	-10	-9
Pension costs		-1,627	-1,498	-1,215
of which defined benefit pension costs	C4	-381	-401	-240
of which other pension costs		-1,246	-1,097	-975
Other social security costs		-4,706	-3,835	-3,849
Other personnel costs		-2,031	-1,452	-1,622
<b>Total<sup>1)</sup></b>		<b>-27,870</b>	<b>-22,639</b>	<b>-22,914</b>

1) Items affecting comparability of SEK -97m (20; 187) are included in total personnel costs.

### C2. Remuneration of senior executives

#### Accounting principles AP

##### Incentive programs

Essity has the following remuneration programs: Short Term Incentive (STI), Bridge Incentive (BIP) for 2022 and 2023, and Long Term Incentive (LTI). Variable remuneration is capped at a specific percentage of fixed salary and is recognized as an expense and non-current provision, respectively, during the earning period in accordance with IAS 19 Employee Benefits. The programs are continuously evaluated and reported in the annual accounts. Payment is made in cash the year following the vesting period.

##### Description of incentive programs

The STI goals comprise financial targets and non-financial targets that contribute to the achievement of financial targets, such as operating cash flow, cost efficiency, EBITA margin, organic sales growth and consolidated profit before tax, as well as innovation goals. Essity has adopted a long-term incentive program to enable the company to recruit and retain key individuals and to promote the common interest of participants and shareholders in generating long-term returns. BIP contains a requirement to invest in the Essity share and aims to ensure continuity of long-term incentive and that the common interest of the participants and shareholders is retained during the period the new LTI program is introduced. BIP is a short-term incentive program that has three goals. These goals are sales growth, profit before tax and a short-term goal for reduction in carbon emissions.

Variable remuneration under BIP is disbursed in cash. Senior executives who participate in BIP must purchase shares for the entire amount allocated, after deduction for tax, and retain the shares for at least three years.

The LTI program has two goals. The first goal is based on the performance of the company's Class B share, measured as the TSR (Total Shareholder Return) index compared with a weighted TSR index of competing companies with operations in Essity's business areas of Consumer Goods, Health & Medical and Professional Hygiene over a three-year period, where the performance target is higher TSR for the company than the index for the benchmark group (maximum outcome requires a 5% better outcome than index for the benchmark group). The second goal is a relative goal for reduction in carbon emissions. For maximum outcome, a reduction of 7.5% in carbon emissions is required compared with the estimated target that applied in the year immediately preceding the start of the measurement period.

Variable remuneration under LTI is paid in cash to employees and accordingly does not have any dilutive effect. Senior executives who participate in the LTI program are required to purchase shares in Essity for the entire amount of the LTI outcome after tax and must not divest these shares for a period of three years.

#### Annual General Meeting guidelines for remuneration of senior executives

These guidelines shall govern remuneration to directors, the President, vice presidents and other senior executives. The guidelines do not include remuneration decided upon by the General Meeting.

#### Remuneration principles

Successful implementation of the company's business strategy and the fostering of the company's long-term interests, including its sustainability, require that the company is able, through competitive remuneration on market terms, to recruit, incentivize and retain skilled employees. The total remuneration package must therefore be on market terms and competitive on the executive's field of profession, and must be related to the executive's responsibilities, powers and performance. The remuneration may comprise fixed salary, variable remuneration, other benefits and pension. The company's business strategy is presented in the company's Annual and Sustainability Report.

#### Variable remuneration

Variable remuneration shall be based on results relative to established short-term and long-term incentive program targets, which shall contribute to the objectives established by the company or to the performance of the company's share. Remuneration shall be aimed at promoting the company's business strategy and long-term interests, including its sustainability. Furthermore, variable remuneration shall be paid as cash remuneration and shall not be included in the basis for pension computation. The short-term element shall not exceed 100% of annual fixed salary and the long-term element shall not exceed 100% of annual fixed salary. The maximum variable remuneration level shall be determined per individual, taking into account the total remuneration in relation to the specific role, the local market, the terms of employment or the individual performance.

Short-term performance targets shall include either organic growth, product development, earnings, cash flow, capital efficiency, sustainability, return or individual targets or a combination thereof. Long-term performance targets shall include either sustainability, total shareholder return (TSR) or a combination thereof and – in order to create a long-term perspective – be combined with requirements for senior executives to use the compensation net of tax to invest in the Essity share with a minimum holding period of three years.

The company shall have the possibility to withhold payment of variable remuneration where necessary and possible according to law, provided there are special reasons for so doing and such a measure is necessary to meet the company's long-term interests, including its sustainability. Furthermore, the company shall have the possibility provided by law to demand repayment of any variable remuneration paid based on erroneous grounds.

#### Pension and other benefits

Pension benefits shall be contribution-defined, and the annual premium shall not exceed 40% of the fixed annual salary. The retirement age shall normally be 65.

Other, lesser benefits may include medical insurance, company car, fitness allowance as well as membership and service fees, training/education and other support.

A notice of termination period of not more than two years shall apply upon termination of the employment relationship where the termination is initiated by the company, and of not more than one year where the termination is initiated by the executive. Severance pay should not exist.

#### Decision-making process and reporting

Matters relating to remuneration of senior executives shall be addressed by the Board's Remuneration Committee and, with respect to the President, decided upon by the Board. The duties of the Remuneration Committee shall also include preparing board decisions regarding proposals for guidelines for remuneration of senior executives, performing oversight as well as monitoring and assessing the application thereof. When the Board or the Remuneration Committee addresses and decides on remuneration-related matters, senior executives may not be present insofar as the matter relates to them. With respect to the calculation of variable remuneration, an audit certificate must be obtained before any decision is taken regarding payment. In the preparation of the remuneration guidelines, consideration has been given to salary and employment conditions for the company's other employees, such as information regarding total remuneration, components of the remuneration as well as the increase in remuneration and the rate of increase over time, and the company's equality of opportunity policy. The Board shall prepare a remuneration report.

C2. Remuneration of senior executives, cont.

Application of, and deviation from, the guidelines

The Board may decide to temporarily deviate from the guidelines, wholly or in part, if there are special reasons for so doing in an individual case and deviation is necessary to satisfy the company's long-term interests, including its sustainability. The duties of the Remuneration Committee include preparing board decisions on remuneration issues, including decisions regarding deviations from the guidelines. With respect to employment relationships governed by rules other than Swedish rules, appropriate adjustments shall take place with respect to pension benefits and other benefits to ensure compliance with such rules or local practice, whereupon the overarching purpose of these guidelines shall be attained as far as possible.

The guidelines shall not take precedence over mandatory terms or employment law legislation or collective agreements. Nor shall they apply to already executed agreements.

Description of significant changes compared to previous guidelines

Other than editorial changes, these guidelines have been updated with respect to the Board of Directors' proposal on implementation of a new cash-based long-term incentive program.

These guidelines shall apply from the 2022 Annual General Meeting until further notice.

Company's application of guidelines

The company applied the guidelines approved by the AGM in the following manner.

Fixed salary

The fixed salary is to be in proportion to the individual's position and the authority and responsibilities this entails, as well as performance. It is set individually at a level that, combined with other remuneration, is assessed as a market rate and competitive in the labor market in which the executive works.

Variable remuneration

Variable remuneration of the CEO, Executive Vice President and Business Unit Presidents and equivalents is maximized to a total of 100% of the fixed salary. For two Business Unit Presidents, stationed in the Americas, and one Business Unit President in Germany the maximum outcome is 110–130%. The corresponding limit for other senior executives is 90–100%. The program for variable remuneration is divided into short-term and long-term portions. The short-term portion ("Short Term Incentive", or "STI" and "Bridge Incentive Program", or "BIP") for the CEO, Executive Vice President and Business Unit Presidents and equivalents may amount to a maximum of 100% of fixed salary. For the Business Unit Presidents, stationed in the Americas and Germany, the maximum outcome is 110–130% of the fixed salary, while the corresponding limit for other senior executives is 90–100%. The STI and BIP goals set for the Business Unit Presidents are mainly based on organic sales growth, EBITA margin, operating cash flow for each business unit and Group-wide cash flow goals and sustainability targets.

The goal for the CEO and others reporting directly to him is based primarily on organic sales growth, EBITA margin, operating cash flow, the Group's profit and sustainability targets Furthermore, for certain senior executives, goals for cost efficiency and innovation also apply, accounting for 10.5% of the variable remuneration. The sustainability target, Science Based Targets Scope 1 and 2, which aims to reduce emissions of carbon dioxide in energy utilization and purchased electricity, accounts for 19% of the variable remuneration.

With the aim of maintaining a long-term perspective during the transition to the company's revised LTI program, senior executives must invest the entire remuneration from BIP after tax in Essity shares. The shares may then not be sold before the end of the third year after the purchase of shares in the relevant BIP program.

The long-term portion ("Long Term Incentive", or LTI) of the program adopted by the 2022 AGM may amount to a maximum of 80% of the fixed salary. The senior executive is to invest all of the variable LTI compensation, after tax with holdings, in Essity shares. The shares may then not be sold before the end of the third year after the purchase of shares in the relevant LTI program.

Outcome, variable remuneration

For the CEO, Executive Vice President and Central Staff Managers, STI resulted in 33.4–42.6% of fixed salary for 2022. STI resulted in variable remuneration corresponding to 33.1–75.2% of fixed salary for the Business Unit Presidents. The outcome for all senior executives during BIP amounted to 46.5% of fixed salary. Based on 2022 salaries of 13 senior executives, the maximum outcome of variable remuneration would result in a cost for the Group, excluding social security costs, of approximately SEK 91.1m.

Other benefits

Other benefits pertain, in some cases, to a company car, commuter reimbursement and health insurance.

Pension

The CEO has a defined contribution pension based on an annual payment, to be paid by the company, amounting to 40% of the employee's fixed salary, in addition to the agreed contribution for the basic pension benefits in the ITP plan (supplementary pensions for salaried employees), with retirement pension benefits limited to a maximum salary income of 7.5 income base amounts. Five other executives are covered by corresponding defined contribution pension benefits with an annual premium of approximately 30–40% and pension age of 65. Two senior executives in Sweden have a combined defined benefit and defined contribution plan. Five senior executives that are employed in companies outside Sweden are encompassed by defined contribution pension plans on local market-based terms.

Notice period and severance pay

The agreement with the CEO stipulates a period of notice of termination of two years if such notice is given by the company. The CEO has a corresponding right with a period of termination of one year. If notice is given by the company, the CEO is not obligated to serve during the notice period. The agreement has no stipulations with regard to severance pay. Between the company and other senior executives, a period of notice of termination of one to two years normally applies, if such notice is given by the company. The executive has a corresponding right with a period of notice of termination of six months to one year. The executive is normally expected to be available to the company during the notice period. The agreements have no stipulations with regard to severance pay.

Preparation and decision process for remuneration

During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of senior executives. The recommendations encompassed the ratio between fixed and variable remuneration and the size of any salary increases. In addition, the Remuneration Committee expressed an opinion on the criteria for assessing variable remuneration and pension terms. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of corporate management for the fiscal year was based on the Remuneration Committee's recommendation and, with regard to the CEO, decided by the Board. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed appropriate, the work of the Remuneration Committee was carried out with the support of external expertise.

Remuneration and other benefits during the year 2022 TC2:1

SEK	Fixed salary	Variable remuneration <sup>1)</sup>	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	16,500,000	14,692,425 <sup>2)</sup>	136,022	31,328,447
Other senior executives (12 people)	69,449,581	66,171,195 <sup>3)</sup>	4,311,376	139,932,152
<b>Total</b>	<b>85,949,581</b>	<b>80,863,620</b>	<b>4,447,398</b>	<b>171,260,599</b>

1) Variable remuneration covers the 2022 fiscal year but is paid in 2023.  
2) Of which LTI program SEK 0, BIP program SEK 7,663,425.  
3) Of which LTI program SEK 0, BIP program SEK 32,255,857.

Pension costs 2022<sup>1)</sup>

SEK	
President and CEO Magnus Groth <sup>2)</sup>	6,876,833
Other senior executives (12 people) <sup>3)</sup>	19,545,865
<b>Total</b>	<b>26,422,698</b>

1) The pension costs pertain to the costs that affected profit for 2022, excluding special payroll tax.  
2) Outstanding pension obligations amount to SEK 17,081,864.  
3) Outstanding pension obligations amount to SEK 66,379,956.





## C2. Remuneration of senior executives, cont.

### Remuneration and other benefits during the year 2021 TC2:1

SEK	Fixed salary	Variable remuneration <sup>1)</sup>	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	15,750,000	1,053,281 <sup>2)</sup>	120,921	16,924,202
Other senior executives (12 people)	60,316,371	8,989,018 <sup>2)</sup>	5,169,945	74,475,334
<b>Total</b>	<b>76,066,371</b>	<b>10,042,299</b>	<b>5,290,866</b>	<b>91,399,536</b>

<sup>1)</sup> Variable remuneration covers the 2021 fiscal year but is paid in 2022.

<sup>2)</sup> Of which LTI program SEK 0.

### Pension costs 2021<sup>1)</sup>

SEK	
President and CEO Magnus Groth <sup>2)</sup>	6,555,851
Other senior executives (12 people) <sup>3)</sup>	27,658,471
<b>Total</b>	<b>34,214,322</b>

<sup>1)</sup> The pension costs pertain to the costs that affected profit for 2021, excluding special payroll tax.

<sup>2)</sup> Outstanding pension obligations amount to SEK 23,363,801.

<sup>3)</sup> Outstanding pension obligations amount to SEK 104,737,446.

### Remuneration and other benefits during the year 2020 TC2:1

SEK	Fixed salary	Variable remuneration <sup>1)</sup>	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	15,000,000	5,670,000 <sup>2)</sup>	112,291	20,782,291
Other senior executives (11 people)	55,964,618	20,833,766 <sup>2)</sup>	5,611,119	82,409,503
<b>Total</b>	<b>70,964,618</b>	<b>26,503,766</b>	<b>5,723,410</b>	<b>103,191,794</b>

<sup>1)</sup> Variable remuneration covers the 2020 fiscal year but is paid in 2021.

<sup>2)</sup> Of which LTI program SEK 0.

### Pension costs 2020<sup>1)</sup>

SEK	
President and CEO Magnus Groth <sup>2)</sup>	6,269,391
Other senior executives (11 people) <sup>3)</sup>	17,146,081
<b>Total</b>	<b>23,415,472</b>

<sup>1)</sup> The pension costs pertain to the costs that affected profit for 2020, excluding special payroll tax.

<sup>2)</sup> Outstanding pension obligations amount to SEK 25,707,004.

<sup>3)</sup> Outstanding pension obligations amount to SEK 95,565,302.

### Obligations in relation to former presidents and CEOs

For former presidents and CEOs, Essity has outstanding, non-funded obligations amounting to SEK 102m. These costs were recognized in previous years and comprise pension obligations that Essity assumed from Svenska Cellulosa Aktiebolaget in conjunction with the split of the Group.

## C3. Fees to board members in the Parent company

Remuneration to non-executive Board members of Essity Aktiebolag (publ) refers to the fees approved at the AGM on March 24, 2022 for the period until the next AGM in March 2023. No remuneration is paid to the President and CEO and other employees.

SEK	Board fee			Audit Committee fee			Remuneration Committee fee			Portfolio Development Committee fee			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Pär Boman (Chairman)	2,550,000	2,445,000	2,310,000	290,000	280,000	275,000	150,000	150,000	150,000	290,000			3,280,000	2,875,000	2,735,000
Ewa Björling	850,000	815,000	770,000	290,000									1,140,000	815,000	770,000
Maija-Liisa Friman	0	0	770,000											0	770,000
Annemarie Gardshol	850,000	815,000	770,000										850,000	815,000	770,000
Björn Gulden	850,000												850,000		
Louise Svanberg	850,000	815,000	770,000				125,000	120,000	115,000				975,000	935,000	885,000
Bert Nordberg	850,000	815,000	770,000		280,000	275,000	125,000	120,000	115,000	415,000			1,390,000	1,215,000	1,160,000
Barbara Milian Thoralfsson	850,000	815,000	770,000	415,000	400,000	380,000							1,265,000	1,215,000	1,150,000
Torbjörn Löf	850,000	815,000	0							290,000			1,140,000	815,000	0
Lars Rebien Sørensen	850,000	815,000	770,000							290,000			1,140,000	815,000	770,000
<b>Total</b>	<b>9,350,000</b>	<b>8,150,000</b>	<b>7,700,000</b>	<b>995,000</b>	<b>960,000</b>	<b>930,000</b>	<b>400,000</b>	<b>390,000</b>	<b>380,000</b>	<b>1,285,000</b>			<b>12,030,000</b>	<b>9,500,000</b>	<b>9,010,000</b>

## C4. Remuneration after completion of employment

### Accounting principles [AP](#)

#### Defined benefit pension plans

Defined benefit pension plans are characterized by the fact that payment is based on the period of employment and the employee's salary at, or just prior to, retirement. The actuarial and investment-related risks associated with defined benefit pension plans are carried by the company.

The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. Calculations are based on actuarial assumptions. Actuarial assumptions comprise the company's best assessment of the variables that determine the final cost for providing the benefits. The obligation is measured at the present value of the anticipated future cash flows using a discount rate (see Key assessments and assumptions below). Actuarial gains and losses (remeasurements) are recognized directly in equity under other comprehensive income in the period in which they arise. The recognized cost for the defined benefit plans includes personnel costs, as well as net interest items. Net interest items comprise the discount rate calculated on the average net pension liability for the period, taking fee and remuneration payments into consideration. The difference between the calculated interest income (discount rate) on the plan assets and Essity's actual return on the plan assets is included in the remeasurement of the defined benefit net liability or net asset recognized in equity under other comprehensive income. Past service costs are recognized in profit or loss in the period in which they arise.

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

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

#### Defined contribution pension plans

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

#### Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits. The obligation and anticipated costs for these benefits have been calculated and recognized in a similar manner to the defined benefit pension plans.

#### Severance pay

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

### Key assessments and assumptions [KAA](#)

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. Key assumptions and assessments include the discount rate, future salary increases, inflation and life expectancy. Essity determines the discount rate based primarily on AA-rated corporate bonds issued in the currency in which the payments will be made that match the duration of the obligations. If no such corporate bonds are available, government bonds or mortgage bonds are used. Inflation assumptions are based on a combination of central bank targets, implicit market expectations and long-term analyst forecasts. Assumptions regarding salary increases are based on market expectations and market research forecasts. Key actuarial assumptions are presented in [TC4:5](#). The sensitivity of the recognized provision with respect to key actuarial assumptions is described in [TC4:6](#).

### Provisions for pensions and similar obligations

SEKm	2022	2021	2020
Defined benefit obligations <a href="#">TC4:2</a>	23,817	32,698	32,717
Fair value of plan assets <a href="#">TC4:3</a>	-26,377	-35,249	-31,260
Effect of asset ceiling <a href="#">TC4:4</a>	3,266	5,261	1,054
<b>Provisions for pensions, net <a href="#">TC4:1</a></b>	<b>706</b>	<b>2,710</b>	<b>2,511</b>

Surpluses in funded plans recognized as financial non-current assets amounted to [BS](#) SEK 1,965m (1,439; 2,817) on the balance sheet date and provisions for pensions totaled [BS](#) SEK 2,671m (4,149; 5,328). Defined benefit obligations include obligations in an amount of SEK 2,272m (2,751; 2,908) pertaining to unfunded plans.

Essity has both defined contribution and defined benefit pension plans in a number of Group companies. The most significant defined benefit pension plans in the respective countries are described below.

### Provisions for pensions and similar obligations per country [TC4:1](#)

SEKm Country	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
UK	-	5,216	6,971	12,187	-14,436	2,271	22	14
Sweden	1,230	750	1,083	3,063	-3,476	995	582	15
Germany	1,832	500	1,315	3,647	-5,131	-	-1,484	14
USA	316	941	2,125	3,382	-2,948	-	434	10
Other	1,229	6	303	1,538	-386	-	1,152	11
<b>Total</b>	<b>4,607</b>	<b>7,413</b>	<b>11,797</b>	<b>23,817</b>	<b>-26,377</b>	<b>3,266</b>	<b>706</b>	

### Costs for the period for defined benefit plans

SEKm	2022	2021	2020
Current service cost, after deduction for premiums paid by the employees	-422	-422	-428
Past service cost	-	8	-2
Pension-tax expense	-38	-38	-41
Remeasurement, net	43	13	-11
Net interest income/expense	-62	-49	-34
<b>Pension costs before effects of settlements</b>	<b>-479</b>	<b>-488</b>	<b>-516</b>
Settlements	-2	-	201
<b>Pension costs after effects of settlements</b>	<b>-481</b>	<b>-488</b>	<b>-315</b>

In 2020, the Dutch pension plan was changed, resulting in it being reclassified from defined benefit to defined contribution in accordance with IAS 19. Consequently, a gain from settlements of SEK 187m was recognized as an item affecting comparability.

## C4. Remuneration after completion of employment, cont.

### UK

The plan is a defined benefit plan with contributions paid by the company. The plan is based on final salary and consists of retirement pension, beneficiaries' pension and disability pension. The plan was closed to new participants in July 2007 and closed for future accrual in September 2018. The plan is managed by an independent trust and assets are held separately, according to UK law. Surpluses in the pension fund remain in the fund's assets. An asset ceiling has from 2021 been imposed on the surplus in the plan under the rules in IAS 19, since Essity is of the view that it will be unable to absorb the current surplus. The plan is obligated to meet the minimum funding level according to an agreement with the pension plan.

### Sweden

In Sweden, the defined benefit obligation is mainly covered by the ITP2 plan and executive pensions. The ITP2 plan (supplementary pensions for salaried employees) encompasses employees born before 1979 and is a defined benefit plan that provides retirement pension based on final salary, as a percentage of various salary intervals. The ITP2 plan is safeguarded by a fund, and the company may compensate itself using any surpluses in the plan assets. The pension plans for executives are largely retirement and beneficiaries' pension plans based on final salary and are closed to new participants and the liability largely comprises paid-up pension policies or pensions in payment. The pension plans for executives are largely unfunded and are credit-insured with PRI Pensionsgaranti.

### Germany

In Germany, the defined benefit obligation comprises a number of different pension plans offering retirement pension, beneficiaries' pension and disability pension. Plans based on final salary exist but these are closed to new participants and the benefit depends on the length of service and final salary at retirement. Defined contribution plans are also offered in which the benefit depends on provisions made by the company and, in certain plans, even by the employee during the period of service, and guaranteed return on the provisions. The obligations are largely financed by two different funds and the company may, in certain instances, compensate itself using any surpluses in the plan assets.

### USA

In the USA, the defined benefit obligations comprise retirement pensions in which the premiums are paid by the company and the benefit is based on a standard amount per service year. Only one plan is still open for new accrual for about 200 employees. The benefits are financed via a pension fund that is obligated to meet the minimum legislated funding level. Surpluses in the pension fund can be utilized in the form of premium discounts.

### Defined benefit obligations TC4:2

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>32,698</b>	<b>32,717</b>	<b>38,510</b>
Current service cost	424	426	429
Interest expense	557	424	608
Past service cost	-	-8	2
Pension-tax expense	38	38	41
Settlements and transfers	-52	-17	-57
Reclassification	-	-	-5,488
Acquisitions and divestments	-	-15	-
Benefits paid	-1,349	-1,248	-1,323
Pension taxes paid	-4	-11	-11
Remeasurement: financial assumptions	-9,606	-1,907	3,345
Remeasurement: demographic assumptions	-225	169	-248
Remeasurement: experience-based assumptions	48	60	-567
Pension taxes pertaining to remeasurement	-277	-131	-49
Translation differences	1,565	2,201	-2,475
<b>Value, December 31</b>	<b>23,817</b>	<b>32,698</b>	<b>32,717</b>

Reclassification of SEK 5,488m in 2020 pertains to the deconsolidation of the former defined benefit obligations attributable to the Dutch pension plan.

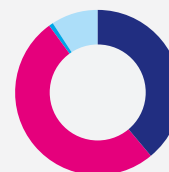
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include for example unexpectedly high or low employee turnover or salary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

### Plan assets TC4:3

SEKm	2022	2021	2020
<b>Fair value, January 1</b>	<b>-35,249</b>	<b>-31,260</b>	<b>-36,372</b>
Interest income	-572	-427	-586
Contributions by plan participants	-2	-4	-1
Contributions by the employer	-283	-405	-1,048
Benefits paid, excluding settlements	1,342	1,237	1,312
Benefits paid for settlements	10	5	54
Reclassification	-	-	5,301
Return in excess of recognized interest income	9,951	-2,068	-2,434
Administrative expenses for pension obligations	37	36	36
Translation differences	-1,611	-2,363	2,478
<b>Fair value, December 31</b>	<b>-26,377</b>	<b>-35,249</b>	<b>-31,260</b>

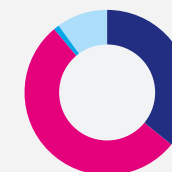
Reclassification of SEK 5,301m in 2020 pertains to the deconsolidation of the plan assets attributable to the Dutch pension plan.

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



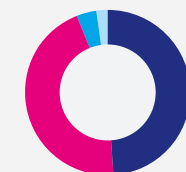
- Shares and mutual funds, 39%
- Interest-bearing securities, 51%
- Properties, 1%
- Other, 9%

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



- Shares and mutual funds, 36%
- Interest-bearing securities, 53%
- Properties, 1%
- Other, 10%

### The plan assets are distributed according to the following classes of assets, 2020:



- Shares and mutual funds, 49%
- Interest-bearing securities, 45%
- Properties, 4%
- Other, 2%

At the balance sheet date 98% (97; 94) of the plan assets were traded on active markets for which market quotations were used for the valuation. As in the preceding year, no financial instruments issued by Essity are included in the fair value of plan assets at December 31, 2022.

## C4. Remuneration after completion of employment, cont.

### Effect of asset ceiling **TC4:4**

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>5,261</b>	<b>1,054</b>	<b>887</b>
Interest expense	77	52	12
Other changes to asset ceiling	-2,190	4,025	155
Translation differences	118	130	-
<b>Value, December 31</b>	<b>3,266</b>	<b>5,261</b>	<b>1,054</b>

The value at the end of the period pertaining to the effect of the asset ceiling relates to funds in the UK pension plan amounting to SEK 2,271m (4,144; -) and funds in one Swedish foundation that can be used for possible future undertakings for early retirement for certain categories of employees amounting to SEK 995m (1,117; 1,054).

### Principal actuarial assumptions **TC4:5**

	Sweden	UK	Germany	USA
<b>2022</b>				
Discount rate	4.04	4.77	3.63	4.65
Expected salary increase rate	3.25	N/A	3.50	N/A
Expected inflation	2.25	3.50	2.25	N/A
Life expectancy, men <sup>1)</sup>	22	22	21	20
Life expectancy, women <sup>1)</sup>	24	25	24	21
<b>2021</b>				
Discount rate	1.62	1.89	0.75	2.81
Expected salary increase rate	3.00	N/A	3.00	N/A
Expected inflation	2.00	3.25	1.75	N/A
Life expectancy, men <sup>1)</sup>	22	22	20	20
Life expectancy, women <sup>1)</sup>	25	25	24	21
<b>2020</b>				
Discount rate	0.83	1.37	0.38	2.56
Expected salary increase rate	2.75	N/A	2.75	N/A
Expected inflation	1.75	3.00	1.50	N/A
Life expectancy, men <sup>1)</sup>	22	21	20	20
Life expectancy, women <sup>1)</sup>	25	24	24	21

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

The sensitivity of the defined benefit obligations with respect to changes in the principal actuarial assumptions is as follows:

### Change of obligation, increased obligation (-) **TC4:6**

SEKm	
Discount rate +0.25%	766
Price inflation, including salary inflation +0.25%	-592
Life expectancy +1 year	-771

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

### Multiemployer plans

Essity has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. The company also has employees in Finland who are covered by the country's statutory TyEL pension plan. These obligations are secured through the insurance company Varma. These benefits are reported as defined contribution plans, since there is no basis for allocating the obligations, plan assets and costs to the individual companies covered by the plan.

### Budgeted contributions

The budgeted contributions for the Essity's defined benefit pension plans for 2023 are calculated at SEK 426m. Contributions for multiemployer plans for 2023 are calculated at SEK 41m.



## D. Operating assets and liabilities

### D1. Intangible assets

#### Accounting principles **AP**

##### Goodwill

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

##### Trademarks

Trademarks can only be recognized when they have been acquired through a separate transaction or through the acquisition of an entire business that includes one or several trademarks. Trademarks are measured at cost after any accumulated amortization and accumulated impairment. Trademarks that have an indefinite useful life are not amortized, but rather tested annually for impairment along with the impairment testing of goodwill. Trademarks with a limited useful life are amortized on a straight-line basis during their anticipated useful life, which varies between 3–25 years.

##### Licenses, patents and similar rights

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

##### Customer relations

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

##### Research and development

Research expenditure is recognized as an expense as incurred. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Development costs for packing and packaging materials are expensed directly. In general, development projects are conservatively assessed due to the difficulty in determining what will lead to commercial success. Capitalized expenditures are amortized on a straight-line basis over the estimated useful life, from the date when the asset is ready for use. The amortization period is between 5–10 years.

##### Impairment testing

Goodwill is tested annually for impairment. When testing for impairment, the assets are grouped in cash-generating units. Essity has defined three cash-generating units for impairment testing, which coincide with the operating segments Health & Medical, Consumer Goods and Professional Hygiene. The test compares the carrying amounts of the cash-generating units with the recoverable amounts. The recoverable amount of each cash-generating unit is determined by discounting future cash flows in order to determine their value in use. The calculation of future cash flows is based on the strategic plans adopted by the Executive Management Team for the next three years. The carrying amount for the cash-generating unit includes goodwill, trademarks with indefinite useful lives and assets with definite useful lives, such as non-current assets, trademarks and working capital. Effects of expansion investments are excluded when calculating the value in use. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount. An impairment loss recognized earlier is reversed, if the reasons for the impairment no longer exist. The carrying amount after the reversal is limited to what it would have been had no past impairment been recognized. Impairment losses on goodwill are never reversed.

#### Emission allowances and costs for carbon dioxide emissions

Essity participates in the European system for emission allowances.

When emission allowances relating to carbon dioxide emissions are received from an individual EU state, they are recognized as an intangible asset and as deferred income (liability). Allowances are received free of charge and recognized at market value as of the date when the allocation is received. During the period, the intangible asset is expensed in proportion to carbon dioxide emissions made. At the same time as the deferred income is reversed by the corresponding amount thereby resulting in no net effect in profit or loss. If the emission allowances received do not cover emissions made, Essity makes a provision for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognized as income on the delivery date.

#### Key assessments and assumptions **KAA**

In connection with the annual impairment testing of goodwill, the recoverable amount is calculated. The recoverable amount for the cash-generating units is determined by calculating value in use. Calculation of the value in use is based on the three-year strategy plans adopted by the Executive Management Team, which in turn are based on assessments and assumptions. The most important assessments and assumptions pertain to forecasts for organic growth, the profit margin and the discount rate used. The discount rate used in the present value calculation of the anticipated future cash flows is the current weighted average cost of capital (WACC) established within the Group for the markets in which the cash-generating units conduct operations.

Profit margin assumptions are based on current market prices and costs adjusted for anticipated price and cost changes as well as assumed productivity development. The growth assumption follows the Group's target of annual sales growth, including organic sales growth and acquisitions, of above 5%, less acquisition-related growth, and is in line with historic outcome and expected global market growth.

The expected sustained future cash flow for periods that are beyond the planning horizon of the strategy plan are extrapolated from the final year of the strategy plan using assumed sustained growth of 2% (2; 2).

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

#### Goodwill

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>37,803</b>	<b>32,324</b>	<b>34,581</b>
Company acquisitions	3,617	3,398	603
Company divestments	–	–	–36
Reclassifications	–20	–7	–
Impairment	–292	–	–
Translation differences	3,678	2,088	–2,824
<b>Value, December 31 <b>BS</b></b>	<b>44,786</b>	<b>37,803</b>	<b>32,324</b>

## D1. Intangible assets, cont.

### Intangible assets excluding goodwill

SEKm	Trademarks			Technologies, Customer relations and similar rights			Capitalized development costs			Total Other intangible assets		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Accumulated costs	18,072	14,726	13,401	15,756	14,015	10,963	661	577	532	34,489	29,318	24,896
Accumulated amortization	-915	-645	-506	-8,439	-6,773	-5,731	-260	-209	-180	-9,614	-7,627	-6,417
Accumulated impairment	-	-	-	-81	-88	-86	-188	-140	-51	-269	-228	-137
<b>Total</b>	<b>17,157</b>	<b>14,081</b>	<b>12,895</b>	<b>7,236</b>	<b>7,154</b>	<b>5,146</b>	<b>213</b>	<b>228</b>	<b>301</b>	<b>24,606</b>	<b>21,463</b>	<b>18,342</b>
<b>Value, January 1</b>	<b>14,081</b>	<b>12,895</b>	<b>13,659</b>	<b>7,154</b>	<b>5,146</b>	<b>6,910</b>	<b>228</b>	<b>301</b>	<b>381</b>	<b>21,463</b>	<b>18,342</b>	<b>20,950</b>
Investments <sup>1)</sup>	-	-	-	612	834	459	26	38	43	638	872	502
Sales and disposals	-	-	-	-	-	-1	-	-1	-	-	-1	-1
Company acquisitions	2,131	729	50	143	1,812	185	-	-	1	2,274	2,541	236
Company divestments	-	-	-	-	-2	-2	-	-	-	-	-2	-2
Reclassifications <sup>2)</sup>	-	1	-	38	51	-1,161	-	2	-1	38	54	-1,162
Amortization <sup>3)</sup>	-171	-122	-137	-1,225	-932	-946	-30	-35	-57	-1,426	-1,089	-1,140
Impairment	-	-	-	-	-	-	-31	-87	-54	-31	-87	-54
Translation differences	1,116	578	-677	514	245	-298	20	10	-12	1,650	833	-987
<b>Value, December 31</b>	<b>17,157</b>	<b>14,081</b>	<b>12,895</b>	<b>7,236</b>	<b>7,154</b>	<b>5,146</b>	<b>213</b>	<b>228</b>	<b>301</b>	<b>24,606</b>	<b>21,463</b>	<b>18,342</b>
Emission allowances, net value <b>TD1:1</b>										740	343	232
<b>Value, December 31 including emission allowances <b>BS</b></b>										<b>25,346</b>	<b>21,806</b>	<b>18,574</b>

1) In 2022, interest expenses were capitalized in Capitalized development costs in the amount of SEK 8m (9). The average interest rate used was 2%.

2) In 2020, leases for land were reclassified from Other intangible assets to right-of-use asset in the amount of SEK 1,206m.

3) Amortization of Trademarks and Customer relations is included in Sales, general and administration while amortization of Technologies and Other intangible assets is included in Cost of goods sold.

### Impairment testing

Annual testing for impairment of goodwill is carried out in the fourth quarter. The testing showed that no impairment was needed for 2022, 2021 or 2020. The WACC before tax used in the impairment testing of goodwill is presented in the table below. Sensitivity analyses show that reasonable changes to key parameters do not give rise to any impairment requirement. In addition to annual impairment testing of the cash-generating units, outlined above under the section Impairment testing, cash-generating units and individual assets are also tested when there is an indication of an impairment need. During the period, intangible assets, primarily attributable to Russia, were impaired by SEK -323m.

### Distribution by operating segment

SEKm	Goodwill			Trademarks			WACC, before tax %		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Health & Medical	17,483	15,923	14,224	8,069	7,570	7,121	10.5	7.5	7.6
Consumer Goods	18,443	13,940	11,718	9,010	6,511	5,774	11.5	8.5	8.5
Professional Hygiene	8,860	7,940	6,382	78	-	-	9.8	6.8	6.2
<b>Total <b>BS</b></b>	<b>44,786</b>	<b>37,803</b>	<b>32,324</b>	<b>17,157</b>	<b>14,081</b>	<b>12,895</b>			

### Emission allowances **TD1:1**

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>343</b>	<b>232</b>	<b>232</b>
Emission allowances received	534	210	187
Purchases	136	93	30
Settlement with the government	-313	-201	-206
Translation differences	40	9	-11
<b>Value, December 31</b>	<b>740</b>	<b>343</b>	<b>232</b>

## D2. Property, plant and equipment

### Accounting principles **AP**

#### Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment. In cases where an investment in foreign currency has been recognized using hedge accounting, the gain/loss from the hedge is recognized as part of the acquisition cost. In major projects, costs for running-in and start-up are included in the cost for properties and production facilities. Borrowing costs are included in the cost of investments exceeding SEK 250m that take more than 12 months to complete. Expenses for repairs and maintenance are expensed directly in profit or loss.

#### Depreciation and impairment

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

#### Expected useful lives

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

#### Property, plant and equipment

	Buildings			Land and land improvements			Machinery and equipment			Construction in progress		
SEKm	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Accumulated costs	29,533	25,759	23,004	4,973	4,248	4,052	100,835	88,109	78,399	5,617	6,209	5,320
Accumulated depreciation	-14,008	-12,045	-10,776	-752	-657	-599	-65,051	-55,880	-48,672	-1	-	-
Accumulated impairment	-863	-283	-283	-57	-24	-23	-2,679	-1,440	-1,401	-76	-31	-2
<b>Total</b>	<b>14,662</b>	<b>13,431</b>	<b>11,945</b>	<b>4,164</b>	<b>3,567</b>	<b>3,430</b>	<b>33,105</b>	<b>30,789</b>	<b>28,326</b>	<b>5,540</b>	<b>6,178</b>	<b>5,318</b>
<b>Value, January 1</b>	<b>13,431</b>	<b>11,945</b>	<b>13,611</b>	<b>3,567</b>	<b>3,430</b>	<b>3,729</b>	<b>30,789</b>	<b>28,326</b>	<b>32,025</b>	<b>6,178</b>	<b>5,318</b>	<b>3,714</b>
Investments	258	318	124	16	44	9	982	1,426	1,127	5,037	4,614	4,882
Sales and disposals	-17	-12	-6	-27	-3	-4	-58	-41	-57	-4	-	-4
Company acquisitions	-	67	28	-	10	9	106	799	42	2	55	-
Company divestments	-	-	-38	-	-	-18	-	-	-73	-	-	-
Reclassifications	1,208	1,045	235	357	2	11	4,567	3,014	2,551	-6,170	-4,115	-2,844
Depreciation <sup>1)</sup>	-891	-782	-802	-37	-36	-41	-4,978	-4,369	-4,444	-1	-	-
Impairment	-594	-	-42	-32	-	-	-1,151	-97	-234	-45	-29	-
Reversal of impairment	-	32	-	-	-	-	-	4	8	-	-	-
Translation differences	1,267	818	-1,165	320	120	-265	2,848	1,727	-2,619	543	335	-430
<b>Value, December 31</b>	<b>14,662</b>	<b>13,431</b>	<b>11,945</b>	<b>4,164</b>	<b>3,567</b>	<b>3,430</b>	<b>33,105</b>	<b>30,789</b>	<b>28,326</b>	<b>5,540</b>	<b>6,178</b>	<b>5,318</b>

1) Included primarily in Cost of goods sold.

## D2. Property, plant and equipment, cont.

### Total property, plant and equipment

SEKm	2022	2021	2020
Accumulated costs	140,958	124,325	110,775
Accumulated depreciation	-79,812	-68,582	-60,047
Accumulated impairment	-3,675	-1,778	-1,709
<b>Total</b>	<b>57,471</b>	<b>53,965</b>	<b>49,019</b>
<b>Value, January 1</b>	<b>53,965</b>	<b>49,019</b>	<b>53,079</b>
Investments <sup>1)</sup>	6,293	6,402	6,142
Sales and disposals	-106	-56	-71
Company acquisitions	108	931	79
Company divestments	-	-	-129
Reclassifications	-38	-54	-47
Depreciation <sup>2)</sup>	-5,907	-5,187	-5,287
Impairment	-1,822	-126	-276
Reversal of impairment	-	36	8
Translation differences	4,978	3,000	-4,479
<b>Value, December 31</b>	<b>57,471</b>	<b>53,965</b>	<b>49,019</b>
Right-of-use assets, net value <b>TG1:1</b>	5,427	4,953	4,612
<b>Value, December 31 including right-of-use assets <b>BS</b></b>	<b>62,898</b>	<b>58,918</b>	<b>53,631</b>

1) Government grants received in 2022 reduced recognized investments by SEK 36m (7; 20).

2) Included primarily in Cost of goods sold.

Impairment losses for the year totaling SEK 1,822m are related mainly to impairment of non-current assets and goodwill in Russia and restructuring measures in Consumer Goods in Spain and Colombia.

During the period, interest was capitalized in machinery and equipment in an amount of SEK 41m (44; 18) and in construction in progress in an amount of SEK 3m (7; 1). The average interest rate used was 3% (2; 3).

Contract obligations relating to the acquisition of property, plant and equipment amounted to SEK 5,052m (3,178; 3,131) at year-end.

## D3. Inventories

### Accounting principles **AP**

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

The net realizable value is the calculated sales price received for normal business transactions less calculated sales costs.

## D3. Inventories, cont.

### Inventories

SEKm	2022	2021	2020
Raw materials and consumables	10,023	6,064	5,890
Spare parts and supplies	2,572	2,103	1,783
Products in progress	2,482	1,725	1,343
Finished products	13,775	9,435	7,363
Advance payments to suppliers	36	12	4
<b>Total <b>BS</b></b>	<b>28,888</b>	<b>19,339</b>	<b>16,383</b>

Impairment of inventories amounted to SEK 821m (484; 302), of which SEK 83m (18; 9) was recognized in conjunction with restructuring as an item affecting comparability, refer to Note B3 Operating expenses on page 95.

## D4. Other current receivables

### Other current receivables

SEKm	2022	2021	2020
VAT receivables	1,522	1,113	701
Prepaid expenses and accrued income	895	588	529
Suppliers with debit balance	198	155	123
Receivables for electricity and gas	168	195	207
Receivables from authorities	156	61	58
Derivatives <sup>1)</sup>	2,158	3,310	185
Other receivables	664	365	370
<b>Total <b>BS</b></b>	<b>5,761</b>	<b>5,787</b>	<b>2,173</b>

1) For financial instruments, refer to Note E1.

## D5. Other liabilities

### Other liabilities

SEKm	2022	2021	2020
<b>Other non-current liabilities</b>			
Derivatives	345	27	6
Other non-current liabilities	851	59	99
<b>Total <b>BS</b></b>	<b>1,196</b>	<b>86</b>	<b>105</b>
Of which items that fall due for payment later than within five years	23	21	20
<b>Other current liabilities</b>			
Derivatives	1,072	397	108
Accrued expenses and prepaid income <b>TD5:1</b>	16,316	12,370	11,592
VAT liabilities	1,388	1,148	1,075
Other operating liabilities	2,219	1,892	1,770
<b>Total <b>BS</b></b>	<b>20,995</b>	<b>15,807</b>	<b>14,545</b>



## D5. Other liabilities, cont.

### Accrued expenses and prepaid income TD5:1

SEKm	2022	2021	2020
Bonus and discounts to customers	8,016	6,253	6,070
Accrued vacation pay liability	944	801	712
Accrued social security costs	459	341	417
Other liabilities to personnel	2,014	894	1,325
Other items	4,883	4,081	3,068
<b>Total</b>	<b>16,316</b>	<b>12,370</b>	<b>11,592</b>

Other non-current liabilities includes deferred purchase considerations for acquired operations and liabilities to non-controlling interests.

## D6. Other provisions

### Accounting principles AP

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

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

### Key assessments and assumptions KAA

The amount of the provisions made relating to legal disputes is based on the company's best assessment, which was determined in consultation with local expertise in the field.

### Other provisions 2022

SEKm	Efficiency programs	Environment	Legal disputes	Other	Total
<b>Value, January 1</b>	<b>256</b>	<b>310</b>	<b>319</b>	<b>247</b>	<b>1,132</b>
Provisions	144	708	26	166	1,044
Utilizations	-77	-313	-50	-36	-476
Reclassifications	-	21	34	-55	-
Dissolutions	-23	-	-10	-45	-78
Translation differences	18	3	44	21	86
<b>Value, December 31</b>	<b>318</b>	<b>729</b>	<b>363</b>	<b>298</b>	<b>1,708</b>

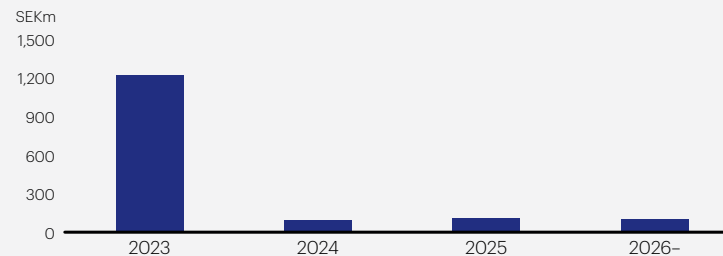
Provisions comprise:

Short-term component <span>BS</span>	1,217
Long-term component <span>BS</span>	491

### Other provisions, previous periods

SEKm	2021	2020
<b>Value, January 1</b>	<b>1,193</b>	<b>1,606</b>
Provisions	419	429
Company acquisitions	23	-
Utilizations	-386	-696
Reclassifications	-2	-14
Dissolutions	-149	-64
Translation differences	34	-68
<b>Value, December 31</b>	<b>1,132</b>	<b>1,193</b>

### Distribution of other provisions by maturity<sup>1)</sup>



<sup>1)</sup> The timing of provisions totaling SEK 191m cannot be assessed and are therefore not included in the above.

Provisions for the period for Environment pertain to a liability for carbon dioxide emissions which will be settled in 2023.

During 2022, Essity started to make provisions for its Long Term Incentive (LTI) program, which can be seen under the column Other in the above table. See Note C2 for further details on the incentive program.

The provisions recognized at the end of the period attributable to Efficiency programs relate mainly to restructuring measures at production facilities of Consumer Goods. Provisions for Environment pertain mainly to a liability for carbon dioxide emissions, and Legal disputes primarily relates to provisions for a case in Latin America. Other provisions mainly comprise reserves in Italy in connection with, among other items, grants received for future investment commitments.

## E. Capital structure and financing

### E1. Financial instruments by category and measurement level

#### Accounting principles **AP**

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

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

Financial assets are initially recognized at cost, and transaction costs are included for certain instruments that are not measured at fair value. Financial assets are recognized in the balance sheet until the rights in the agreement have been realized or the company no longer has the rights to the asset. Financial assets measured at amortized cost are continuously reviewed according to the expected loss model to assess the need for credit loss provisions.

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

Essity recognizes financial instruments with a remaining maturity of less than 12 months as current assets and liabilities and those that exceed 12 months as non-current assets and liabilities.

#### Fair value measurement

For the financial instruments for which market quotations are available, actual prices are used for fair value measurement (Level 1). In the absence of market quotations for the instruments, Essity determines fair values with the aid of common valuation models, using quoted prices of similar assets or liabilities in active markets (Level 2).

The fair value of non-current loans measured at prevailing market interest rates is presented in Note E4 Financial liabilities on page 113. The fair value of current financial liabilities and investments is considered to correspond to the carrying amount, since a change in market interest rates does not have a significant effect on market value.

#### Classification and subsequent recognition

Under IFRS 9 Financial instruments, financial assets are to be classified on the basis of the company's business model and the purpose of contractual cash flows.

#### Amortized cost

Financial assets held to collect contractual cash flows, and whose cash flows only consist of interest and the principal amount, are to be measured at amortized cost. The main rule is that financial liabilities are measured at amortized cost with the exception of the liabilities described in the measurement categories below. Since the majority of Essity's financial assets is held to collect contractual cash flows and are held to maturity, they are recognized at amortized cost according to the effective interest method. All liabilities, excluding derivatives and the liabilities included in a hedging relationship, are measured at amortized cost.

#### Fair value through comprehensive income

Financial assets, which are held for the purpose of collecting contractual cash flows (only interest and principal amount) and which are to be sold before maturity, are measured at fair value through other comprehensive income with the option to recirculate to profit or loss. Essity did not recognize any assets in this category during the year.

For financial assets comprising an equity instrument, the company can, on initial recognition, make an irrevocable choice to recognize the asset at fair value through comprehensive income without the option of recirculation to profit or loss. Essity has an asset valued at SEK 92m recognized in this category.

#### Fair value through profit or loss

Financial assets that do not fulfill the requirements as stated in the categories described above are to be measured at fair value through profit or loss. Financial assets and liabilities can, on initial recognition, irrevocably and under certain circumstances, be recognized at fair value through profit or loss if this leads to more relevant information. Derivatives are recognized at fair value through profit or loss. During the year, Essity did not recognize any financial assets or liabilities, except for derivatives and liabilities that are part of a hedging relationship, in this category. For more information, refer to Note E6 Derivatives and hedge accounting on page 114.

#### Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized in accordance with the accounting principles stated in Note E6 Derivatives and hedge accounting on page 114.

#### Financial instruments by category and measurement level

SEKm	Note	Measurement level	2022	2021	2020
<b>Financial assets measured at fair value through profit or loss</b>					
Derivatives – Non-current financial assets	E2	2	9	2	90
Derivatives – Current financial assets	E2	2	1,109	372	450
Derivatives – Other current receivables	D4	2	513	538	31
<b>Total</b>			<b>1,631</b>	<b>912</b>	<b>571</b>
<b>Financial liabilities measured at fair value through profit or loss</b>					
Non-current financial liabilities	E4	2	23,763	20,387	10,615
Current financial liabilities	E4	2	4,489	14	5,038
Derivatives – Non-current financial liabilities	E4	2	276	86	2
Derivatives – Current financial liabilities	E4	2	424	524	610
Derivatives – Other current liabilities	D5	2	65	25	70
<b>Total</b>			<b>29,017</b>	<b>21,036</b>	<b>16,335</b>
<b>Loan and trade receivables measured at amortized cost</b>					
Non-current financial assets	E2	–	22	25	18
Current financial assets	E2	–	3,459	620	231
Trade receivables	E3	–	25,990	19,871	17,825
Cash and cash equivalents	E2	–	4,288	3,904	4,982
<b>Total</b>			<b>33,759</b>	<b>24,420</b>	<b>23,056</b>
<b>Financial assets measured at fair value through other comprehensive income</b>					
Non-current financial assets	E2	1	92	99	96
<b>Financial liabilities measured at amortized cost</b>					
Non-current financial liabilities	E4	–	26,935	23,779	24,861
Non-current lease liabilities	E4	–	3,392	2,891	2,724
Current financial liabilities	E4	–	7,338	9,084	2,206
Current lease liabilities	E4	–	889	880	807
Trade payables	–	–	25,644	18,030	14,791
<b>Total</b>			<b>64,198</b>	<b>54,664</b>	<b>45,389</b>

## E1. Financial instruments by category and measurement level, cont.

### Financial instruments by category and measurement level

SEKm	Note	Measurement level	2022	2021	2020
<b>Derivatives used for hedge accounting</b>					
Non-current financial assets	E2	2	–	286	534
Other non-current assets	–	2	767	656	79
Other current receivables	D4	2	1,645	2,772	154
Current financial assets	E2	2	373	158	312
<b>Total</b>			<b>2,785</b>	<b>3,872</b>	<b>1,079</b>
Non-current financial liabilities	E4	2	3,876	300	–
Other non-current liabilities	D5	2	345	27	6
Current financial liabilities	E4	2	133	244	27
Other current liabilities	D5	2	1,007	372	38
<b>Total</b>			<b>5,361</b>	<b>943</b>	<b>71</b>

These financial instruments are measured at fair value, with the exception of loans and trade receivables and financial liabilities measured at amortized cost. According to Essity's assessment, the fair value essentially corresponds to the carrying amount, with the exception of non-current liabilities, the fair value of which is disclosed in Note E4 Financial liabilities on page 113.

#### Measurement levels

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

**Level 2:** Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as currency forward contracts or interest rate swaps.

### Financial instruments in other notes to the balance sheet

SEKm	Note	2022		2021		2020	
		Financial instruments	Of which derivatives	Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets							
Financial assets, cash and cash equivalents	E2	9,352	1,491	5,466	818	6,713	1,386
Other non-current assets		767	767	656	656	79	79
Trade receivables	E3	25,990	–	19,871	–	17,825	–
Other current receivables	D4	2,158	2,158	3,310	3,310	185	185
Total		38,267	4,416	29,303	4,784	24,802	1,650
Liabilities							
Financial liabilities	E4	71,515	4,709	58,189	1,154	46,890	639
Other non-current liabilities	D5	345	345	27	27	6	6
Trade payables		25,644	–	18,030	–	14,791	–
Other current liabilities	D5	1,072	1,072	397	397	108	108
Total		98,576	6,126	76,643	1,578	61,795	753

## E2. Financial assets, cash and cash equivalents

### Accounting principles **AP**

Cash and cash equivalents are defined as cash and bank balances as well as current investments with a maturity of less than three months from the acquisition date. Restricted deposits are not included in cash and cash equivalents. Loan receivables are recognized at amortized cost.

Financial assets measured at amortized cost are continuously reviewed to assess the need for credit loss provisions.

### Financial assets, cash and cash equivalents

SEKm	Carrying amount		
	2022	2021	2020
<b>Non-current financial assets</b>			
Financial assets measured at fair value through other comprehensive income	92	99	96
Financial assets measured at amortized cost			
Loan receivables, other	22	25	18
Derivatives	9	288	624
<b>Total <b>BS</b></b>	<b>123</b>	<b>412</b>	<b>738</b>
<b>Current financial assets</b>			
Financial assets measured at amortized cost			
Financial assets	207	183	165
Loan receivables, other	3,252	437	66
Derivatives	1,482	530	762
<b>Total <b>BS</b></b>	<b>4,941</b>	<b>1,150</b>	<b>993</b>
<b>Cash and cash equivalents</b>			
Cash and bank balances	3,781	3,284	4,074
Current investments <3 months	507	620	908
<b>Total <b>BS CF</b></b>	<b>4,288</b>	<b>3,904</b>	<b>4,982</b>
<b>Total financial assets, cash and cash equivalents</b>	<b>9,352</b>	<b>5,466</b>	<b>6,713</b>

Financial assets measured at fair value through comprehensive income relate to an equity instrument which was irrevocably classified without any option of recirculation due to the long-term nature of the holding. The holding relates to shares in pension assets attributable to certain pension obligations. These assets are not included in the normal pension calculations, as set out in Note C4 Remuneration after completion of employment on page 102. Changes in value excluding exchange gains and losses are recognized in equity under other comprehensive income, while exchange gains and losses are recognized in profit or loss.

Cash and cash equivalents at December 31, 2022 include SEK 3,391m (3,115; 2,737) that is not fully available for use by Essity or for which other limitations exist, primarily cash and cash equivalents in countries that are subject to exchange restrictions and other legal restrictions. Accordingly, it is not possible to immediately use these cash and cash equivalents in other areas of the Group, although it is normally possible to use them in the operations of the respective country. The cash and cash equivalents can also be used to repay local debts in these countries. Such liabilities in these countries amount to SEK 1,040m (1,719; 1,454).

## E3. Trade receivables

### Accounting principles [AP](#)

Trade receivables are measured at amortized cost after a provision is made for doubtful receivables. Provisions for doubtful receivables are made using the simplified impairment method in IFRS 9 Financial instruments for trade receivables, meaning the provision is measured at an amount that corresponds to the expected credit losses for the remaining terms of all outstanding trade receivables as per the balance sheet date.

An impairment of trade receivables due to a possible credit loss impacts Essity's operating profit as a selling cost in profit or loss and as a reduction of trade receivables by increasing the provision for doubtful receivables in the balance sheet. When the credit loss has been confirmed, the trade receivable is written off against the provision for doubtful receivables. A credit loss is regarded as confirmed when it has been determined that the customer is unable to fulfill the legal obligation to pay Essity, when debt-collection measures are no longer cost efficient, the customer's operations have ceased or the customer has been declared bankrupt and this process has ended. Essity's trade receivables are generally current and are not discounted.

### Key assessments and assumptions [KAA](#)

The measurement of the provision for doubtful receivables is based on a combination of a collective and individual assessment. The collective assessment is based on the historical confirmed credit loss level in relation to net sales in the most recent five-year period, adjusted for changes in credit risk based on current and forward-looking information regarding macroeconomic factors that can impact the payment capacity of customers. These adjustments are made when necessary to take into account changed credit risk due to material changes in financial stability, GDP and employment in the countries where Essity conducts the majority of its sales. Individual assessment of the need to impair doubtful receivables is made in cases when it has been determined that the customer is experiencing financial problems, when no payment has been received for receivables that have long fallen due or because of other significant events, such as financial crises or natural disasters.

#### Trade receivables

SEKm	2022	2021	2020
Trade receivables, gross	26,316	20,169	18,063
Provision for doubtful receivables <a href="#">TE3:2</a>	-326	-298	-238
<b>Total <a href="#">BS</a> <a href="#">TE3:1</a></b>	<b>25,990</b>	<b>19,871</b>	<b>17,825</b>

#### Analysis of credit risk exposure in trade receivables [TE3:1](#)

SEKm	2022	2021	2020
Trade receivables net after provision for doubtful receivables	25,990	19,871	17,825
Whereof: overdue			
< 30 days	1,976	1,432	1,316
30–90 days	669	669	761
> 90 days	733	364	361
<b>Trade receivables, overdue</b>	<b>3,378</b>	<b>2,465</b>	<b>2,438</b>

### Credit risk in trade receivables and provisions for doubtful receivables

Essity's customer structure is dispersed, with customers in many different areas of business. In 2022, Essity's ten largest customers accounted for 20.8% (19.6; 22.5) of Essity's sales. The single largest customer accounted for 3.7% (3.0; 2.7) of sales. Of the outstanding trade receivables on the balance sheet date 2022, the ten largest customers accounted for 19.8% (22.2; 23.9). During 2022, confirmed credit losses on trade receivables amounted to 0.01% (0.02; 0.02) of net sales, confirmed credit losses on trade receivables over the past five years amounted to an average of 0.01% (0.02; 0.02) of net sales. Recognized bad debt losses remain at a low level and despite increased risks that have arisen on account of the war in Ukraine, Essity's overall assessment is that the credit risk within the customer segments in the countries where Essity conducts the majority of its sales has not changed materially during 2022. No adjustment was therefore made in the collective assessment (see accounting principles and key assessments and assumptions above) regarding the expected impairment requirement for doubtful receivables in the 2022 year-end accounts. However, Essity continues to monitor development of GDP, financial stability and unemployment and will increase its provision for doubtful receivables if the situation deteriorates.

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,239m (1,056; 723). Of this amount, SEK 3m (4; 8) relates to the category trade receivables overdue.

### Provision for doubtful receivables [TE3:2](#)

SEKm	2022	2021	2020
<b>Value, January 1</b>	<b>-298</b>	<b>-238</b>	<b>-313</b>
Provision for expected credit losses	-52	-83	-38
Confirmed losses	17	18	25
Decrease due to divestments	-	0	22
Decrease due to reversal of provisions for expected credit losses	36	18	31
Translation differences	-29	-13	35
<b>Value, December 31</b>	<b>-326</b>	<b>-298</b>	<b>-238</b>

The expense for the period for doubtful receivables amounted to SEK -16m (-65; -7).



## E4. Financial liabilities

### Accounting principles AP

The main principle for recognition of Essity's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method.

In cases where loans with fixed interest rates are hedged using derivatives, both the loan and the derivative are measured at fair value through a fair value hedge. Non-current loans that are subject to hedge accounting are discounted to the market interest rate without a credit spread. The cash flows from the interest rate derivatives are discounted to the market interest rate and the changes in value are recognized in profit or loss.

#### Financial liabilities

SEKm	2022	2021	2020
<b>Non-current financial liabilities</b>			
Bond issues	38,400	38,559	28,486
Derivatives	4,152	386	2
Non-current lease liabilities	3,392	2,891	2,724
Other non-current loans with maturities > 1 year < 5 years	5,892	5,590	6,971
Other non-current loans with maturities > 5 years	6,406	17	19
<b>Total <span>BS</span></b>	<b>58,242</b>	<b>47,443</b>	<b>38,202</b>
<b>Current financial liabilities</b>			
Amortization within one year	14	63	219
Bond issues	5,599	–	5,037
Derivatives	557	768	637
Current lease liabilities	889	880	807
Loans with maturities of less than one year	6,000	8,895	1,833
Accrued financial expenses	214	140	155
<b>Total<sup>1)</sup> <span>BS</span></b>	<b>13,273</b>	<b>10,746</b>	<b>8,688</b>
<b>Total financial liabilities</b>	<b>71,515</b>	<b>58,189</b>	<b>46,890</b>
Fair value of financial liabilities excluding leases	64,324	53,925	43,947

1) Fair value of current loans is estimated to be the same as the carrying amount.

### Borrowing

Essity has a Euro Medium Term Note (EMTN) program with a program amount of EUR 6,000m (SEK 66,734m) for issuing bonds in the European capital market. As of December 31, 2022, a nominal EUR 4,450m (3,930; 3,440) was outstanding in public and bilateral issues with a remaining maturity of 4.5 years (5.2; 3.4).

#### Public bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate, %
Notes EUR 500m	2023	5,599	5,599	2.50
Notes EUR 600m	2024	6,667	6,467	1.13
Notes SEK 2,150m	2025	2,156	2,086	STIB3M+0.50
Notes SEK 850m	2025	798	792	0.50
Notes EUR 300m	2025	3,178	3,148	1.13
Notes EUR 500m	2026	5,395	5,350	3.00
Notes EUR 500m	2027	5,540	5,023	1.63
Notes EUR 600m	2029	5,305	5,098	0.25
Notes EUR 300m	2030	2,655	2,560	0.50
Notes EUR 700m	2031	6,706	5,633	0.25
<b>Total</b>		<b>43,999</b>	<b>41,756</b>	

Non-current financial liabilities	Carrying amount, SEKm	Fair value, SEKm
Other non-current loans with maturities > 1 year < 5 years	5,892	5,861
Other non-current loans with maturities > 5 years	6,406	5,586
<b>Total</b>	<b>12,298</b>	<b>11,447</b>

Essity has a Swedish and a Belgian commercial paper program that can be utilized for current borrowing.

#### Commercial paper program<sup>1)</sup>

Program size	Issued SEKm
Commercial paper SEK 15,000m	904
Commercial paper EUR 1,200m	3,059
<b>Total</b>	<b>3,963</b>

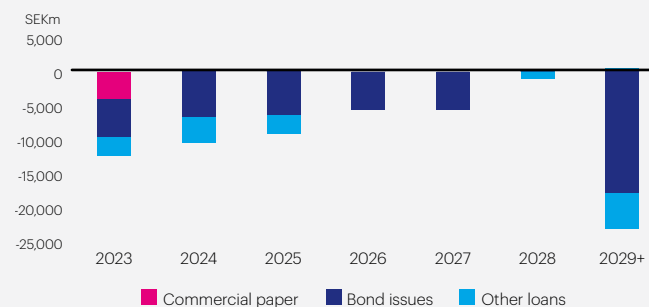
1) Included in Loans with maturities of less than one year in the Financial liabilities table.

Essity has syndicated bank facilities to limit the refinancing risk and maintain a liquidity reserve. Contracted bilateral credit facilities with banks are used to supplement these syndicated bank facilities.

#### Credit facilities

	Nominal	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm
Syndicated credit facilities	EUR 59m	2024	654	–	654
	EUR 941m	2025	10,468	–	10,468
	EUR 62m	2025	695	–	695
	EUR 938m	2027	10,427	–	10,427
<b>Total</b>			<b>22,244</b>		<b>22,244</b>

#### Maturity profile of gross debt<sup>1)</sup>



1) Gross debt includes accrued interest in the amount of SEK 387m.

After additions for net pension provisions and lease liabilities and with deductions for cash and cash equivalents, interest-bearing receivables and equity instruments, the net debt was SEK 62,869m (55,433; 42,688). For a description of the methods used by Essity to manage its refinancing risk, refer to the Risks and risk management section on page 40.

## E5. Liquidity risk

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), net settled derivatives that constitute financial liabilities and negative cash flows from gross settled derivatives. For a description of the methods used by Essity to manage its liquidity risk, refer to the Risks and risk management section on page 40.

### Liquidity risk

SEKm	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
<b>2022</b>				
Loans including interest	12,492	16,645	11,747	24,588
Net settled derivatives	171	330	344	347
Energy derivatives	998	333	–	–
Lease liabilities	1,082	1,450	937	1,285
Trade payables	25,559	85	–	–
<b>Total</b>	<b>40,302</b>	<b>18,843</b>	<b>13,028</b>	<b>26,220</b>
Gross settled derivatives <sup>1)</sup>	85,026	1,660	1,120	821
<b>2021</b>				
Loans including interest	9,448	16,708	7,023	21,524
Net settled derivatives	1	–	–	–
Energy derivatives	357	26	–	–
Lease liabilities	947	1,271	743	1,101
Trade payables	17,950	80	–	–
<b>Total</b>	<b>28,703</b>	<b>18,085</b>	<b>7,766</b>	<b>22,625</b>
Gross settled derivatives <sup>1)</sup>	109,124	924	680	–
<b>2020</b>				
Loans including interest	7,602	16,590	11,910	8,153
Net settled derivatives	1	1	–	–
Energy derivatives	41	5	–	–
Lease liabilities	818	1,118	675	1,294
Trade payables	14,785	6	–	–
<b>Total</b>	<b>23,247</b>	<b>17,720</b>	<b>12,585</b>	<b>9,447</b>
Gross settled derivatives <sup>1)</sup>	59,168	2,135	104	–

1) The gross settled derivatives have, largely, corresponding positive cash flows and therefore, in the opinion of Essity, do not constitute any real liquidity risk.

## E6. Derivatives and hedge accounting

### Accounting principles **AP**

#### Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously measured at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. When using hedge accounting, the relationship between the hedging instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow. The ineffective portion is recognized directly in profit or loss.

#### Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedges are recognized in equity under other comprehensive income and reversed to profit or loss at the rate at which the hedged cash flow affects profit or loss. If a hedge relationship is interrupted and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to profit or loss. Cash flow hedges relating to energy are recognized as energy costs, that is, cost of goods sold. Cash flow hedges related to transaction exposure are recognized in consolidated net sales and expenses.

#### Hedges of net investments in foreign operations

Gains and losses on remeasurement of derivatives intended to hedge Essity's net investments in foreign operations are recognized in equity under other comprehensive income. The cumulative gain or loss in equity is recognized in profit or loss in the event of divestment of the foreign operation.

#### Fair value hedges

The gain or loss from remeasurement of a derivative relating to fair value hedges is recognized in profit or loss together with changes in fair value of the hedged asset or liability. For Essity, this means that non-current loans that are subject to hedge accounting are discounted without a credit spread to the market interest rate and meet inherent interest rate derivatives' discounted cash flows at the same interest rate.

#### Economic hedges

When Essity conducts hedges and the transactions do not meet requirements for hedge accounting according to IFRS 9, changes in fair value of the hedging instrument are recognized directly in profit or loss.

### Outstanding derivatives

SEKm	Of which			
	Total	Currency <sup>1)</sup>	Interest rate	Energy
<b>2022</b>				
Nominal	135,197	95,423	31,993	7,781
Asset	4,416	1,522	40	2,854
Liability	6,126	927	3,868	1,331
<b>2021</b>				
Nominal	137,129	111,601	22,755	2,773
Asset	4,784	597	286	3,901
Liability	1,578	894	301	383
<b>2020</b>				
Nominal	80,489	62,251	16,514	1,724
Asset	1,650	856	558	236
Liability	753	706	2	45

1) Nominal SEK 110,196m (124,914; 74,475) is outstanding before the right of set-off.

## E6. Derivatives and hedge accounting, cont.

### Balance sheet

Essity uses financial derivatives to manage currency, interest rate and energy price risks. For a description of how Essity manages these risks, refer to the section on Risk and risk management on page 40. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2022. For more information relating to derivatives in the balance sheet, see Note E1 Financial instruments by category and measurement level on page 110.

#### Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
<b>December 31, 2022</b>		
Gross amount	4,436	6,146
Offsetable amount	-20	-20
Net amount recognized in the balance sheet	4,416	6,126
Collateral received/paid	-1,186	-3,252
ISDA agreements whose transactions are not offset in the balance sheet	-2,134	-2,134
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>1,096</b>	<b>740</b>
<b>December 31, 2021</b>		
Gross amount	4,790	1,584
Offsetable amount	-6	-6
Net amount recognized in the balance sheet	4,784	1,578
Collateral received/paid	-2,090	-264
ISDA agreements whose transactions are not offset in the balance sheet	-1,131	-1,131
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>1,563</b>	<b>183</b>
<b>December 31, 2020</b>		
Gross amount	1,710	813
Offsetable amount	-60	-60
Net amount recognized in the balance sheet	1,650	753
Collateral received	-64	-
ISDA agreements whose transactions are not offset in the balance sheet	-699	-699
<b>Net after offsetting in accordance with ISDA agreements</b>	<b>887</b>	<b>54</b>

### Profit or loss

Hedges pertaining to transaction exposure had an impact of SEK 164m (118; -37) on operating profit for the period. At year-end, the net market value amounted to SEK 0m (26; -39). Currency hedges increased the cost of non-current assets by SEK 31m (increased: 1; decreased: 2). At year-end, the net market value amounted to SEK -15m (0; -4). Energy derivatives had an impact of SEK 5,185m (1,857; -451) on operating profit for the period. Energy derivatives had an outstanding market value of SEK 1,523m (3,518; 191) at year-end. Derivatives impacted net interest items for the period in an amount of SEK -585m (-19; -169). The net market value of outstanding interest rate derivatives amounted to SEK -3,828m (-15; 556) at year-end. For further information relating to financial items, see Note E7 Financial income and expenses on page 118.

### Sensitivity analysis

Essity has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2022 using assumptions on market movements that are regarded as reasonably possible in one year's time. If the Swedish krona had unilaterally weakened/strengthened by 5% against all currencies, outstanding financial hedges, trade payables and trade receivables would have decreased/increased profit for the period before tax by SEK 2m (17; 13).

If the Swedish krona had unilaterally weakened/strengthened by 5%, currency hedges relating to the cost of non-current assets would have increased/decreased equity by SEK 1m (0; 1). If energy prices had increased/decreased by 20%, outstanding financial hedges relating to natural gas and electricity, all other things being equal, would have

decreased/increased energy costs for the period by SEK 1,172m (952; 245). In addition to the earnings impact, equity would have increased/decreased by SEK 541m (211; 124). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

### Derivatives with hedge accounting

The various risk management strategies are presented in the Risks and risk management section on page 40. The derivatives to which hedge accounting is applied are presented below. Essity also continuously hedges the transaction exposure and energy price risks for the risks that are recognized in the balance sheet and profit or loss. Hedge accounting is not applied in respect of these risks. For currency derivatives, the revaluation from the risks meets derivatives in the financial positions. For energy derivatives, the result is recognized in profit or loss.

IFRS 9 provides the option of hedging risk components. In 2022, Essity did not utilize this option except for energy where Essity, for certain markets including the Nordic region and Mexico, hedges a sub-component. The hedging ratio for the various risks for which hedge accounting is prepared is consistently 1:1.

On account of the ongoing Interest Rate Benchmark Reform, Essity has evaluated the potential impact on existing hedging relationships. Essity has a number of fair value hedges that use EURIBOR as basis for the variable interest rate in the derivative. In the event EURIBOR ceases to exist, the hedging relationships are covered by the exemption rules in IFRS 9, thus resulting in no material effects in connection with the transition to a new interest rate benchmark. The nominal amount of the hedging relationships in question is presented in the tables below.

### Cash flow hedges

Cash flow hedges for currency risk are prepared for transaction exposure, large investments and energy price risks in connection with purchases of electricity and gas. For cash flow hedges, hedges are prepared whereby critical terms match the hedged item. For the cash flow hedges prepared, this means that the change in fair value of the hedging instruments and the change in the hedged item are very highly correlated. Any ineffectiveness could, for example, be due to the time or the amount of the forecast cash flow mismatching with the cash flow of the derivative. In 2022, SEK 0m (0; 0) was recognized in profit or loss as ineffectiveness concerning the cash flow hedges. Currency derivatives mature until September 2024, while energy derivatives mature until December 2024.

### Hedging of net investments

Essity has hedged net investments in a number of selected legal entities in order to achieve the desired currency distribution of net debt relative to assets so that key figures that are important to the company's credit rating can be protected in the long term. The result of hedging positions affected equity by a total of SEK -1,397m (-1,012; 1,504) during the year. This result is largely due to hedges of net investments in USD. In 2022, SEK 0m (0; 0) was recognized in profit or loss as ineffectiveness. The total market value of outstanding hedging transactions at the end of the period was SEK 203m (-79; 374). In total at year-end, Essity hedged net investments outside Sweden amounting to SEK -14,874m (-11,183; -12,854). Essity's total foreign net investments at year-end amounted to SEK 87,796m (77,772; 71,222). Currency derivatives and loans in foreign currency are used to hedge net investments.

### Fair value hedges

For fair value hedges, the hedges have the same nominal amount, maturity dates and fixed interest as the hedged item. Hedge ineffectiveness is attributable, for example, to the various discount curves for the hedging instrument and the hedged item. Hedge ineffectiveness per maturity date is presented in the table below. Ineffectiveness is recognized in financial items under Fair value hedges, unrealized. See Note E7 Financial income and expenses on page 118.

## E6. Derivatives and hedge accounting, cont.

Currency and energy derivatives, SEKm	Line in the balance sheet	2022		2021		2020	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Currency derivatives – cash flow hedges	Other non-current assets	68	5	117	9	64	–
Currency derivatives – cash flow hedges	Other current receivables	811	29	355	14	99	3
Currency derivatives – cash flow hedges	Other non-current liabilities	176	12	14	1	62	1
Currency derivatives – cash flow hedges	Other current liabilities	949	31	281	14	185	6
Energy derivatives – cash flow hedges	Other non-current assets	1,579	761	559	647	559	79
Energy derivatives – cash flow hedges	Other current receivables	1,767	1,616	1,423	2,758	706	151
Energy derivatives – cash flow hedges	Other non-current liabilities	877	333	63	26	79	5
Energy derivatives – cash flow hedges	Other current liabilities	3,027	976	531	358	354	33
Currency derivatives – hedging of net investments	Non-current financial assets	300	0	–	–	–	–
Currency derivatives – hedging of net investments	Current financial assets	10,579	334	7,329	158	8,904	288
Currency derivatives – hedging of net investments	Non-current financial liabilities	450	8	–	–	–	–
Currency derivatives – hedging of net investments	Current financial liabilities	6,166	133	9,815	244	2,096	27

### Interest rate derivatives – hedging of fair value, SEKm

Maturity date	Nominal amount	Change in fair value, hedged item	Change in fair value, derivatives	Ineffectiveness	Line in the balance sheet		
					Financial assets	Financial liabilities	Variable interest
2022							
Current derivatives							
2023	4,449	144	-143	1	40	-	Euribor 6m + 0.7215-0.73165
Non-current derivatives							
2025	4,187	308	-302	6	-	-226	Euribor 6m + 0.514-0.5168, Stibor +0.3375
2026	5,561	184	-157	27	-	-148	Euribor 6m + 0.5902-0.5904
2029	10,010	1,593	-1,598	-5	-	-1,769	Euribor 6m + 0.0517-0.3449
2030	3,337	606	-617	-11	-	-666	Euribor 6m + 0.5077-0.5102
2031	4,449	882	-893	-11	-	-1,059	Euribor 6m + 0.4298
Total	31,993	3,717	-3,710	7	40	-3,868	
2021							
Non-current derivatives							
2023	4,092	91	-96	-5	185	-	Euribor 6m + 0.7215-0.73165
2025	3,919	73	-73	0	101	-7	Euribor 6m + 0.514-0.5168, Stibor + 0.3375
2029	6,138	156	-121	35	0	-113	Euribor 6m + 0.3449
2030	3,069	119	-124	-5	0	-34	Euribor 6m + 0.5077-0.5102
2031	4,092	165	-157	8	0	-146	Euribor 6m + 0.4298
Total	21,310	604	-571	33	286	-300	
2020							
Current derivatives							
2021	5,014	12	-10	2	24	-	Euribor 6m + 0.5502-0.5527
Non-current derivatives							
2022	68	2	-2	0	1	-	Euribor 3m + 0.698
2023	4,011	57	-61	-4	280	-	Euribor 6m + 0.7215-0.73165
2025	3,008	-18	18	0	164	-	Euribor 6m + 0.514-0.5168
2030	3,008	-57	76	19	89	-	Euribor 6m + 0.5077-0.5102
Total	15,109	-4	21	17	558	-	



## E6. Derivatives and hedge accounting, cont.

### Derivatives with hedge accounting<sup>1)</sup>

SEKm	Asset	Liability	Net	Tax	Hedge reserve after tax	Recirculated before tax	Line in profit or loss/ balance sheet
<b>2022</b>							
<b>Derivatives with hedge accounting in hedge reserve</b>							
<b>Cash flow hedges</b>							
Energy risk	2,377	-1,309	1,068	-289	779	-5,260	3)
Currency risk	41 <sup>5)</sup>	-43	-2	2	-	39	4)
<b>Total</b>	<b>2,418</b>	<b>-1,352</b>	<b>1,066</b>	<b>-287</b>	<b>779</b>		
<b>Derivatives with hedge accounting without hedge reserve</b>							
<b>Hedges of net investments in foreign operations</b>							
Currency risk <sup>2)</sup>	350	-145	205				
<b>Fair value hedges</b>							
Interest rate risk	40	-3,868	-3,828				
<b>Total</b>	<b>2,808</b>	<b>-5,365</b>	<b>-2,557</b>	<b>-287</b>	<b>779</b>		
<b>2021</b>							
<b>Derivatives with hedge accounting in hedge reserve</b>							
<b>Cash flow hedges</b>							
Energy risk	3,405	-384	3,021	-806	2,215	-1,363	3)
Currency risk	23	-15	8	-2	6	1	4)
<b>Total</b>	<b>3,428</b>	<b>-399</b>	<b>3,029</b>	<b>-808</b>	<b>2,221</b>		
<b>Derivatives with hedge accounting without hedge reserve</b>							
<b>Hedges of net investments in foreign operations</b>							
Currency risk <sup>2)</sup>	165	-244	-79				
<b>Fair value hedges</b>							
Interest rate risk	286	-300	-14				
<b>Total</b>	<b>3,879</b>	<b>-943</b>	<b>2,936</b>	<b>-808</b>	<b>2,221</b>		
<b>2020</b>							
<b>Derivatives with hedge accounting in hedge reserve</b>							
<b>Cash flow hedges</b>							
Energy risk	230	-38	192	-48	144	473	3)
Currency risk	3	-7	-4	1	-3	-2	4)
<b>Total</b>	<b>233</b>	<b>-45</b>	<b>188</b>	<b>-47</b>	<b>141</b>		
<b>Derivatives with hedge accounting without hedge reserve</b>							
<b>Hedges of net investments in foreign operations</b>							
Currency risk <sup>2)</sup>	344	-32	312				
<b>Fair value hedges</b>							
Interest rate risk	558	-	558				
<b>Total</b>	<b>1,135</b>	<b>-77</b>	<b>1,058</b>	<b>-47</b>	<b>141</b>		

1) Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.

2) Derivatives before offsetting.

3) Cost of goods sold.

4) Cost of goods sold, Net sales and Property, plant and equipment.

5) Of which SEK 7m is realized and included in cash and cash equivalents.

## E6. Derivatives and hedge accounting, cont.

The results from hedging of net investments in foreign operations are recognized in the translation reserve, refer to Note E8 Equity on page 119. The results from fair value hedges are recognized directly in profit or loss.

### Hedge reserve in equity

Currency derivatives relating to hedging of transaction exposure mature mainly during the first quarter of 2023. At unchanged exchange rates, profit after tax will be affected in an amount of SEK 5m (6; 0). Currency derivatives relating to hedging of the cost of non-current assets mature until September 2024. At unchanged exchange rates, the cost of non-current assets will increase by SEK 5m (unchanged; increase by 3) after tax. The derivatives intended to hedge energy costs in the Group mature during 2023 and 2024. At unchanged prices, the Group's profit after tax will be affected positively in an amount of SEK 779m (positive 2,215; positive 144).

## E7. Financial income and expenses

### Financial income and expenses

SEKm	2022	2021	2020
<b>Result from non-current financial assets</b>			
Dividend	2	–	1
<b>Interest income and similar profit items</b>			
Interest income, investments	171	86	107
Other financial income	0	16	–
<b>Total financial income IS</b>	<b>173</b>	<b>102</b>	<b>108</b>
<b>Interest expenses and similar loss items</b>			
Interest expenses, borrowing	–777	–630	–762
Interest expenses, derivatives	–592	–52	–186
Interest expenses, lease liabilities	–107	–79	–98
Fair value hedges, unrealized	7	33	17
Other financial expenses	–74	–36	–37
<b>Total financial expenses IS</b>	<b>–1,543</b>	<b>–764</b>	<b>–1,066</b>
<b>Total OCF</b>	<b>–1,370</b>	<b>–662</b>	<b>–958</b>

Other financial income and expenses include an exchange difference of SEK 24m (16; 0).

### Sensitivity analysis

If interest rate levels had been 1 percentage point higher/lower, with unchanged fixed-interest terms and volumes in the net debt, interest expenses for the period would have been SEK 332m (0; 87) higher/lower. Sensitivity analysis calculations have been performed on the risk to which Essity was exposed at December 31, 2022 using assumptions on market movements that are regarded as reasonably possible in one year's time.

For a description of the methods used by Essity to manage its interest rate risk, refer to the Risks and risk management section on page 40.

## E8. Equity

### Accounting principles **AP**

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of own shares reduces retained earnings in equity in the Parent company and the portion of consolidated equity that pertains to owners of the Parent company. When these shares are sold, the sales proceeds are included in retained earnings in the equity pertaining to owners of the Parent company.

Equity totaled SEK 76,564m (68,507; 63,342) at December 31, 2022. Pages 75–76 show the Consolidated statement of change in equity.

The tables below show specifications of reserves and income tax attributable to components in other comprehensive income.

### Equity, specification of reserves **TE8:1**

SEKm	Revaluation reserve <sup>1)</sup>			Hedge reserve <sup>2)</sup>			Fair value through other comprehensive income			Translation reserve			Total reserves in Equity		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Value, January 1</b>			<b>107</b>	<b>2,221</b>	<b>141</b>	<b>–206</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>4,078</b>	<b>323</b>	<b>6,375</b>	<b>6,309</b>	<b>474</b>	<b>6,284</b>
Reclassification of revaluation reserve to retained earnings			–107												–107
<b>Adjusted opening balance, January 1, 2020</b>			<b>–</b>												<b>6,177</b>
Fair value through other comprehensive income							3	0	3				3	–	3
Cash flow hedges:															
Result from remeasurement of derivatives recognized in equity				3,110	4,142	–9	–16						3,094	4,142	–9
Transferred to profit or loss for the period				–5,252	–1,363	473							–5,252	–1,363	473
Acquired cash flow hedges					11									11	
Translation differences in foreign operations <sup>3)</sup>				108	33	–6			–	7,733	4,559	–7,246	7,841	4,592	–7,252
Gains/losses from hedges of net investments in foreign operations										–1,397	–1,012	1,504	–1,397	–1,012	1,504
Tax on items recognized directly in/transferred from equity				561	–744	–109	0	0	–1	287	208	–310	848	–536	–420
<b>Other comprehensive income for the period, net of tax</b>				<b>–1,473</b>	<b>2,079</b>	<b>349</b>	<b>–13</b>	<b>0</b>	<b>2</b>	<b>6,623</b>	<b>3,755</b>	<b>–6,052</b>	<b>5,137</b>	<b>5,834</b>	<b>–5,808</b>
Transfer to cost of non-current assets concerning hedged investments, net of tax				31	1	–2							31	1	–2
<b>Value, December 31</b>				<b>779</b>	<b>2,221</b>	<b>141</b>	<b>–3</b>	<b>10</b>	<b>10</b>	<b>10,701</b>	<b>4,078</b>	<b>323</b>	<b>11,477</b>	<b>6,309</b>	<b>474</b>

1) Revaluation reserve includes effect on equity of step acquisitions.

2) See also Note E6 Derivatives and hedge accounting on page 114 for details of when gains or losses are expected to be recognized.

3) Transfer to profit or loss of realized translation difference relating to divested and liquidated companies is included in the amount of SEK Om (–60; 4).

### Specification of income tax attributable to components in other comprehensive income **TE8:2**

SEKm	2022			2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Actuarial gains/losses on defined benefit pension plans	2,299	–662	1,637	–148	–13	–161	–202	280	78
Fair value through other comprehensive income	–16	3	–13	0	0	0	3	–1	2
Cash flow hedges	–2,142	561	–1,581	2,779	–744	2,035	464	–109	355
Translation differences in foreign operations	8,311	–	8,311	5,480	–	5,480	–8,092	–	–8,092
Other comprehensive income from associates	–	–	–	15	–3	12	–20	4	–16
Gains/losses from hedges of net investments in foreign operations	–1,397	287	–1,110	–1,012	208	–804	1,504	–310	1,194
<b>Other comprehensive income for the period</b>	<b>7,055</b>	<b>189</b>	<b>7,244</b>	<b>7,114</b>	<b>–552</b>	<b>6,562</b>	<b>–6,343</b>	<b>–136</b>	<b>–6,479</b>

At December 31, 2022, the debt/equity ratio amounted to 0.82 (0.81; 0.67). Changes in liabilities and equity are described in the Financial position section on page 39. Essity's target for capital structure is to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt is to be taken into consideration with the aim of maintaining a solid investment grade rating.

Essity has a credit rating for long-term debt of Baa1 from Moody's and BBB+ from Standard & Poor's. Essity's financial risk management is described in the Risk and risk management section on page 40. The Essity share section on page 8 outlines Essity's dividend policy, while its capital structure is described in the Targets and outcomes section on page 24.

## F. Group structure

### F1. Group companies

#### Accounting principles **AP**

##### Group companies

The companies over which Essity has control are consolidated as Group companies. Control means that Essity has sufficient influence to control the relevant activities of the Group company, and that Essity has the right to, and can influence, its variable returns from its participation. Most of the Group companies are wholly owned, which means that Essity has control over the companies. Essity owns 52% of Vinda, which is deemed to give Essity control over the operation.

##### Non-controlling interests

Non-controlling interests are recognized as a separate item in the consolidated statement of changes in equity. Profit or loss and every component of other comprehensive income are attributable to the owners of the Parent company and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance for the non-controlling interest. In connection with acquisitions of less than 100% when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Subsequent acquisitions up to 100% and divestments of participations in a Group company that do not lead to a loss of controlling influence are recognized as an equity transaction.

##### Put options issued to non-controlling interests

Put options issued to non-controlling interests are related to agreements that enable non-controlling interests to sell holdings in the company, either at a specified price or at fair value on the future date when the option can be redeemed. The amount to be paid if the option is utilized is initially listed at present value as a financial liability. The liability is remeasured and the change is recognized in equity. If the option is not redeemed on the maturity date, the liability will be reclassified as equity.

##### List of major Group companies

The Group's participations in major Group companies at December 31, 2022 are presented below. The following selection of wholly owned Group companies or Group companies with significant non-controlling interests includes companies with external and internal sales in excess of SEK 500m in 2022.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2022	Share of equity at December 31, 2021	Share of equity at December 31, 2020
Algodonera Aconcagua S.A.	33501016859	Buenos Aires, Argentina	96	96	50
Asaleo Care New Zealand Ltd <sup>1)</sup>	1470756	Auckland, New Zealand	100	100	
Asaleo Personal Care Pty Ltd <sup>1)</sup>	005 442 375	Springvale, Australia	100	100	
BSN Medical (Aust.) Pty Ltd	095 746 204	Victoria, Australia	100	100	100
BSN Medical (Proprietary) Limited	2001/003941/07	Pinetown, South Africa	100	100	100
BSN medical GmbH	HRB 124187	Hamburg, Germany	100	100	100
BSN Medical Inc.	3269728	North Carolina, USA	100	100	100
BSN Radiante SAS	652 880 519	Le Mans, France	100	100	100
BSN-Jobst GmbH	HRB 3482	Emmerich, Germany	100	100	100
Continental de Negocios S.A.	101681136	Santo Domingo, Dominican Republic	96	96	50
Essity Austria GmbH	FN 49537 z	Vienna, Austria	100	100	100
Essity Belgium SA-NV	BE0405.681.516	Stembert, Belgium	100	100	100
Essity Canada Inc.	10470 9431	Ontario, Canada	100	100	100
Essity Centroamérica S.A.	3-101-211115	San José, Costa Rica	100	100	100

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2022	Share of equity at December 31, 2021	Share of equity at December 31, 2020
Essity Chile S.A.	94.282.000-3	Santiago de Chile, Chile	100	100	100
Essity Czech Republic s.r.o.	485 36 466	Prague, Czech Republic	100	100	100
Essity Denmark A/S	DK20 638 613	Allerød, Denmark	100	100	100
Essity Distribution B.V.	75490080	Amsterdam, Netherlands	100	100	100
Essity do Brasil Indústria e Comércio Ltda	72.899.016/0001-99	Jarinu, Brazil	100	100	100
Essity France SAS	509 395 109	Saint-Ouen, France	100	100	100
Essity Germany GmbH	HRB 713 332	Mannheim, Germany	100	100	100
Essity Higiene y Salud México S.A. de C.V.	SCM-931101-3S5	Mexico City, Mexico	100	100	100
Essity HMS North America Inc.	23-3036384	Delaware, USA	100	100	100
Essity Holding Netherlands B.V.	30-135 724	Zeist, Netherlands	100	100	100
Essity Hungary Kft.	01-09-716945	Budapest, Hungary	100	100	100
Essity Hygiene and Health AB	556007-2356	Gothenburg, Sweden	100	100	100
Essity Ireland Ltd.	184359	Dublin, Ireland	100	100	100
Essity Italy S.p.A.	3 318 780 966	Altopascio, Italy	100	100	100
Essity LLC	1024700877200	Moscow, Russia	100	100	100
Essity Norway AS	915 620 019	Oslo, Norway	100	100	100
Essity Operations Le Theil SAS	509 599 619	Saint-Ouen, France	100	100	100
Essity Operations Allo, S.L.	B31235260	Allo, Spain	100	100	100
Essity Operations France SAS	702 055 187	Saint-Ouen, France	100	100	100
Essity Operations Mainz-Kostheim GmbH	HRB 5301	Mainz-Kostheim, Germany	100	100	100
Essity Operations Manchester Ltd	4119442	Dunstable, UK	100	100	100
Essity Operations Mannheim GmbH	HRB 3248	Mannheim, Germany	100	100	100
Essity Operations Neuss GmbH	HRB 14343	Neuss, Germany	100	100	100
Essity Operations Poland Sp. z o.o.	KRS No. 0000086815	Olawa, Poland	100	100	100
Essity Operations Wausau LLC	41-2218501	Wisconsin, USA	100	100	100
Essity Operations Witzenhausen GmbH	HRB 2660	Witzenhausen, Germany	100	100	100
Essity Poland Sp. z o.o	KRS No. 0000427360	Warsaw, Poland	100	100	100
Essity Professional Hygiene Germany GmbH	HRB 710 878	Mannheim, Germany	100	100	100
Essity Professional Hygiene North America LLC	58-2494137	Delaware, USA	100	100	100
Essity Slovakia s.r.o.	36590941	Gemerska Horská, Slovakia	100	100	100
Essity Spain, S.L.	B28451383	Puigpelat, Spain	100	100	100
Essity Switzerland AG	CH-020.3.917.992-8	Schenkon, Switzerland	100	100	100
Essity UK Ltd.	3226403	Dunstable, UK	100	100	100
Essity Canary Islands, S.L	B35089242	Telde, Spain	100	100	100
OY Essity Finland AB	0165027-5	Espoo, Finland	100	100	100
Productos Familia Sancela del Ecuador S.A.	1791314379001	Quito, Ecuador	96	96	50
Productos Familia S.A.	8909001619	Medellin, Colombia	96	96	50
Productos Sancela del Peru S.A	20255172884	Lima, Peru	96	96	50
Vinda International Holdings Ltd.	90235	Hong Kong, China	52	52	52

1) Prior to the acquisition on July 1, 2021, Asaleo Care was recognized as an associate, for more information see Note F3 on page 121.



## F2. Jointly owned Group companies with significant non-controlling interests

### Vinda

Vinda International Holdings Ltd. (Vinda) is one of China's largest hygiene companies and listed on the Hong Kong stock exchange. Essity's holding in Vinda amounts to 52%. Vinda's market capitalization on the Hong Kong stock exchange was SEK 36,988m (26,480; 26,768) at the end of the period.

### Familia

Productos Familia S.A., Colombia (Familia) operates in the South American market and sells Health & Medical, Consumer Goods and Professional Hygiene products. On August 31, 2021, Essity increased its ownership stake in Familia from 50% to 95.8%. Already prior to this transaction, Essity was deemed to have a controlling influence over Familia since Essity had control over the activities with the most significant impact on Familia's return.

### Financial information

Financial information is disclosed below for both Group companies. Financial information has not been disclosed for other Group companies with significant non-controlling interests since no other individual company had a material impact on the Group's earnings and financial position. The income statements and balance sheets as shown below are included in Essity's consolidated financial statements and consider adjustments for surplus values in connection with acquisitions.

#### Group companies with significant non-controlling interests, 100% of operations<sup>1)</sup>

SEKm	Vinda			Familia		
	2022	2021	2020	2022	2021	2020
<b>Condensed income statement</b>						
Net sales	25,125	20,584	19,521		4,394	6,950
Operating profit before amortization of acquisition-related intangible assets	1,120	2,321	2,973		713	1,170
Operating profit	1,036	2,245	2,893		709	1,162
Profit for the period	907	1,801	2,223		538	819
of which attributable to owners of the Parent company	466	929	1,151		269	410
Other comprehensive income for the period	148	-119	-60		-99	-803
of which attributable to owners of the Parent company	76	-62	-31		-51	-409
<b>Comprehensive income for the period</b>	<b>1,055</b>	<b>1,682</b>	<b>2,163</b>		<b>439</b>	<b>16</b>
of which attributable to owners of the Parent company	542	867	1,120		218	1
of which attributable to non-controlling interests	513	815	1,043		221	15
Dividend to non-controlling interests	375	298	212		190	187
<b>Condensed balance sheet</b>						
Non-current assets	24,928	23,301	19,888			3,217
Current assets	12,762	9,635	8,799			3,466
<b>Total</b>	<b>37,690</b>	<b>32,936</b>	<b>28,687</b>			<b>6,683</b>
Equity attributable to owners of the Parent company	11,931	11,252	9,417			2,094
Equity attributable to non-controlling interests	8,876	8,336	6,853			2,018
Non-current liabilities	5,065	5,691	4,150			802
Current liabilities	11,818	7,657	8,267			1,769
<b>Total</b>	<b>37,690</b>	<b>32,936</b>	<b>28,687</b>			<b>6,683</b>
Cash flow from operating activities	2,678	2,918	2,371			1,274
Cash flow from investing activities	-1,415	-1,940	-2,041			-253
Cash flow from financing activities	-1,724	-704	-37			-468
<b>Cash flow for the period</b>	<b>-461</b>	<b>274</b>	<b>293</b>			<b>553</b>

1) For more information about the companies, refer to the list of major Group companies on page 120.

## F3. Investments in associates and joint ventures

### Accounting principles **AP**

### Joint arrangements

Essity classifies its joint arrangements as joint ventures or joint operations, which are presented in Note F4 on page 123.

### Associates

Associates are companies in which the Group exercises a significant influence without the partly owned company being a Group company or a joint arrangement. Normally, this means that the Group owns between 20% and 50% of the votes. Accounting for associates is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for Group companies and the carrying amount for associates includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associate after the acquisition is recognized as a component of one line in the consolidated income statement "Share of results of associates and joint ventures." Share of profits is calculated on the basis of Essity's share of equity in the respective associate.

### Joint ventures

Joint ventures are defined as companies in which Essity together with other parties through an agreement, has shared control over operations. A joint venture entitles the joint owners to the net assets of the investment. Joint ventures are recognized in accordance with the equity method, meaning that a net item including the goodwill will be recognized for each joint venture in the balance sheet. A share in profits is recognized in the income statement as a component of "Share of results of associates and joint ventures." Share of profits is calculated on the basis of Essity's share of equity in the respective joint venture. Joint arrangements recognized in accordance with the equity method are initially measured at cost. Measurement of acquired assets and liabilities is carried out in the same way as for Group companies.

### Carrying amounts of investments in associates and joint ventures

SEKm	2022	2021	2020
<b>Associates</b>			
<b>Value, January 1</b>	<b>49</b>	<b>658</b>	<b>684</b>
Share of results of associates	6	40	74
Other comprehensive income recognized in equity	-	15	-20
Dividends received	-	-64	-30
Reclassification between associates and Group companies	-	-565	-
Items affecting comparability	-	-52	-23
Translation differences	5	17	-27
<b>Value, December 31</b>	<b>60</b>	<b>49</b>	<b>658</b>
<b>Joint ventures</b>			
<b>Value, January 1</b>	<b>190</b>	<b>189</b>	<b>181</b>
Share of results of joint ventures	32	18	20
Dividends received	-9	-8	-3
Reclassification between joint operation and joint venture	-	8	-
Items affecting comparability	-	-22	-
Translation differences	18	5	-9
<b>Value, December 31</b>	<b>231</b>	<b>190</b>	<b>189</b>
<b>Value, December 31, investments in associates and joint ventures <b>BS Tf3:1</b></b>	<b>291</b>	<b>239</b>	<b>847</b>

## F3. Investments in associates and joint ventures, cont.

### Associates and joint ventures

#### Asaleo Care

Asaleo Care Ltd (Asaleo Care) manufactures and markets Health & Medical, Consumer Goods and Professional Hygiene products. Essity has licensed its Tork and TENA brands to Asaleo Care for sale in Australia, New Zealand and Fiji.

On July 1, 2021, Essity increased its ownership stake in Asaleo Care from 36% to 100%. For this reason, Asaleo Care is no longer classified as an associate since July 1, 2021.

#### Bunzl & Biach

Bunzl & Biach GmbH (Bunzl & Biach), Vienna, is Essity's single largest joint venture that operates in the recovered paper market and supplies raw materials to Essity's business.

### Material investments in associates and joint ventures, 100% of operations **TF3:1**

SEKm	Associates Asaleo Care			Joint ventures Bunzl & Biach			Total		
	2022	2021 <sup>1)</sup>	2020	2022	2021	2020	2022	2021	2020
<b>Condensed income statement</b>									
Net sales		1,374	2,655	2,331	2,487	1,134	2,331	3,861	3,789
Depreciation		-89	-171	-19	-18	-14	-19	-107	-185
Operating profit/loss		-42	390	41	39	34	41	-4	424
Interest income		-	1	0	0	0	0	0	1
Interest expenses		-26	-52	0	0	0	0	-26	-52
Other financial items		-1	-1	2	0	0	2	-1	-1
Tax expense		10	-97	-12	-10	-7	-12	0	-104
Profit/loss for the period, continuing operations		-59	241	39	29	27	39	-30	268
Profit/loss for the period, discontinued operations		-	-37	-	-	-	-	-	-37
Profit/loss for the period		-59	204	39	29	27	39	-30	231
Other comprehensive income for the period		43	-44	-	-	-	-	43	-44
<b>Comprehensive income for the period</b>		<b>-16</b>	<b>160</b>	<b>39</b>	<b>29</b>	<b>27</b>	<b>39</b>	<b>13</b>	<b>187</b>
<b>Condensed balance sheet</b>									
Non-current assets			1,929	197	181 <sup>2)</sup>	205 <sup>2)</sup>	197	181	2,134
Cash and cash equivalents			345	95	17	64	95	17	409
Other current assets			690	322	502	174	322	502	864
<b>Total assets</b>			<b>2,964</b>	<b>614</b>	<b>700<sup>2)</sup></b>	<b>443<sup>2)</sup></b>	<b>614</b>	<b>700</b>	<b>3,407</b>
Non-current financial liabilities			932	114	169	90	114	169	1,022
Other non-current liabilities			206	69	109	63	69	109	269
Current financial liabilities			48	23	21	-	23	21	48
Other current liabilities			544	99	138	26	99	138	570
<b>Total liabilities</b>			<b>1,730</b>	<b>305</b>	<b>437</b>	<b>179</b>	<b>305</b>	<b>437</b>	<b>1,909</b>
<b>Net assets</b>			<b>1,234</b>	<b>309</b>	<b>263<sup>2)</sup></b>	<b>264<sup>2)</sup></b>	<b>309</b>	<b>263</b>	<b>1,498</b>
Group share of net assets			446	151	129 <sup>2)</sup>	129 <sup>2)</sup>	151	129	575
Surplus value			174	49	38 <sup>2)</sup>	47 <sup>2)</sup>	49	38	221
<b>Carrying amount of the companies</b>			<b>620</b>	<b>200</b>	<b>167</b>	<b>176</b>	<b>200</b>	<b>167</b>	<b>796</b>
Carrying amount of other associates	60	49	38	-	-	-	60	49	38
Carrying amount of other joint ventures				31	23	13	31	23	13
<b>Carrying amount of investments in associates and joint ventures <b>BS TF3:2</b></b>	<b>60</b>	<b>49</b>	<b>658</b>	<b>231</b>	<b>190</b>	<b>189</b>	<b>291</b>	<b>239</b>	<b>847</b>
<b>Market value, December 31</b>			<b>4,690</b>						

1) Relates only to the January to June 2021 period. Profit/loss for the period includes costs in conjunction with Essity's acquisition of Asaleo Care in the amount of SEK 150m.

2) The amounts relating to Bunzl & Biach have been adjusted.

## F3. Investments in associates and joint ventures, cont.

### Carrying amounts of investments in associates and joint ventures **TF3:2**

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2022, %	Share of equity at December 31, 2021, %	Share of equity at December 31, 2020, %	Carrying amount December 31, 2022 SEKm	Carrying amount December 31, 2021 SEKm	Carrying amount December 31, 2020 SEKm
<b>Associates</b>								
Asaleo Care Ltd	61 154 461 300	Melbourne, Australia			36			620
Other						60	49	38
<b>Joint ventures</b>								
Bunzl & Biach GmbH	FN 79555 v	Vienna, Austria	49	49	49	200	167	176
Other						31	23	13
<b>Carrying amount, December 31</b> <b>BS</b> <b>TF3:1</b>						<b>291</b>	<b>239</b>	<b>847</b>

## F4. Joint operations

### Accounting principles **AP**

Joint operations are defined as companies in which Essity, together with other parties through an agreement, has shared control over operations. In joint operations, parties to the agreement have rights to the assets and obligations for the liabilities associated with the investment, meaning that the operator must account for its share of the assets, liabilities, revenues and costs according to the proportional method.

Measurement of acquired assets and liabilities according to the proportional method is carried out in the same way as for Group companies. Essity recognizes its proportional share of the company's assets, liabilities, revenues and costs in its financial statements.

### Joint operations

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2022, %	Share of equity at December 31, 2021, %	Share of equity at December 31, 2020, %
Uni-Charm Mölnlycke B.V.	02-330 631	Hoogezand, Netherlands	40	40	40
ProNARO GmbH	HRB 8744	Stockstadt, Germany			50
Nokianvirran Energia Oy (NVE)	213 1790-4	Kotipakka, Finland	27	27	27

### Uni-Charm Mölnlycke

Uni-Charm is classified as a joint operation since the parties to the agreement purchase all products produced by the company. The products are priced in a manner that allows the operations to receive full cost recovery for their production and financing costs. This means that the company in the joint operation is operated with near-zero profit and thus is not exposed to commercial risk. This joint operation has operations in Hoogezand in the Netherlands and Delaware in the USA.

### ProNARO

Since January 1, 2021, ProNARO is recognized according to the equity method due to a change of focus that means the company is more independent.

### Nokianvirran Energia

Essity has entered into an agreement with two other stakeholders to form a joint so-called mankala company in the Finnish energy market, where the joint parties produce heat and steam from biofuel. Each party in the joint operation is obligated to bear a portion of the fixed costs in proportion to its holding in the company and to pay for the raw materials used in the production of heat and steam in proportion to its consumption.

Accordingly, the company is not profit-driven since the parties themselves bear their respective costs. The company is expected to generate near-zero profit and thus is not exposed to any commercial risk.

## F5. Acquisitions and divestments of Group companies and other operations

### Accounting principles **AP**

#### Acquisitions of Group companies and other operations

Essity applies IFRS 3 Business Combinations for acquisitions. In business combinations, acquired assets and assumed liabilities are identified and recognized at fair value on the date of acquisition (also known as purchase price allocation). The purchase price allocation also includes an assessment of whether there are any assets that are intangible in nature, such as technologies, trademarks, patents, customer relations or similar assets that are not recognized in the acquired unit. If the purchase consideration paid is higher than the net value of the acquired assets and assumed liabilities, the difference is recognized as goodwill. Any surplus value on property, plant and equipment is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer relations are amortized over their estimated useful lives. A purchase price allocation is considered preliminary until it is confirmed. A preliminary purchase price allocation is changed as soon as new information regarding assets/liabilities on the acquisition date is obtained, although the acquisition balance sheet must be confirmed not later than one year from the date of the acquisition.

If the transferred consideration is contingent on future events, it is measured at fair value and any changes in value are recognized in profit or loss.

Transaction costs in conjunction with acquisitions are expensed when they occur.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

#### Non-controlling interests

Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill).

In step acquisitions in which a controlling influence is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling influence is lost upon the divestment of an operation, the result is recognized in profit or loss and the portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the remeasurement effect recognized in profit or loss.

Increases in the ownership stake of Group companies after controlling influence is achieved are recognized as an equity transaction, meaning the difference between the purchase consideration paid and the carrying amount of the non-controlling interests is recognized as an increase or decrease in equity attributable to owners of the Parent company. The same accounting procedure applies for divestments that take place without the loss of a controlling influence.

#### Acquisitions in 2022

##### Legacy

On February 2, 2022, Essity acquired Legacy Converting, Inc., a USA-based company that operates in professional wiping and cleaning products. The company has about 30 employees. The final purchase price amounts to USD 39m (SEK 362m) with a potential additional earn-out amount of USD 10m (SEK 94m) on a cash and debt-free basis excluding financial lease liabilities. Since the acquisition, Legacy Converting reported net sales amounting to SEK 144m, adjusted EBITDA to SEK 24m and adjusted EBITA to SEK 2m. If Legacy Converting had been consolidated as of January 1, 2022, net sales would have amounted to SEK 154m, adjusted EBITDA to SEK 26m and adjusted EBITA to SEK 2m. The purchase price allocation has not yet been finalized. Transaction costs for the acquisition amounted to SEK 5m and are recognized in items affecting comparability in profit or loss.

##### Modibodi

On July 7, 2022, Essity announced that the company has acquired the Australian company Modibodi, a leading leak-proof apparel company in Australia, New Zealand and the UK. The purchase price amounts to AUD 141m (approximately SEK 1bn) on a cash and debt-free basis. Modibodi has about 45 employees and headquarters in Sydney, Australia. Modibodi was consolidated into Essity's accounts from August 1, 2022. Since the acquisition, Modibodi's reported net sales amounted to SEK 169m, adjusted EBITDA to SEK 0m and adjusted EBITA to SEK -1m. If Modibodi had been consoli-

dated as of January 1, 2022, net sales would have amounted to SEK 398m, adjusted EBITDA to SEK -3m and adjusted EBITA to SEK -4m. The purchase price allocation has not yet been finalized. Transaction costs for the acquisition amounted to SEK 41m and are recognized in items affecting comparability in profit or loss.

##### Knix

On July 8, 2022, Essity announced that the company had acquired 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The transaction was finalized on September 1, 2022. The agreement with the seller includes a call/put option to buy/sell the remaining shares in three years at fair value when the option can be redeemed. The amount to be paid if the option is exercised is initially recorded at present value as a liability in Essity's balance sheet. Accordingly, in accounting terms, the acquisition is treated as though 100% of the company had been acquired. The purchase price amounted to CAD 430m (SEK 3.5bn) on a cash and debt-free basis for 80% of the company.

In 2021, the company reported net sales of CAD 133.6m (SEK 914m), EBITDA of CAD 13.8m (SEK 95m) and EBITA of CAD 13.4m (SEK 92m). Knix has approximately 200 employees and headquarter in Toronto, Canada.

Knix was consolidated into Essity's accounts from September 1, 2022. Since the acquisition, Knix's reported net sales amounted to SEK 493m, adjusted EBITDA to SEK 2m, and adjusted EBITA to SEK -5m. If Knix had been consolidated as of January 1, 2022, net sales would have amounted to SEK 1,351m, adjusted EBITDA to SEK -9m and adjusted EBITA to SEK -20m. The purchase price allocation has not yet been finalized. Transaction costs for the acquisition amounted to SEK 13m and are recognized in items affecting comparability in profit or loss.

#### Acquisitions in 2021

##### ABIGO Medical AB

On May 14, 2021, Essity acquired the remaining 25% of the shares of ABIGO Medical AB, making the company a wholly owned subsidiary. The purchase consideration paid for the remaining 25% amounted to SEK 228m.

##### Asaleo Care Ltd

On July 1, 2021, Essity acquired the remaining 63.8% of the shares in the hygiene company Asaleo Care. Up until June 30, Essity - with its holding of 36.2% of the shares - has been the largest shareholder of Asaleo Care, which prior to the acquisition was listed on the Australian Securities Exchange. Up until the acquisition of the remaining shares, Asaleo Care was recognized as an associate according to the equity method. Essity has paid AUD 1.40 cash per share, a total of AUD 486m. The consideration entails an implicit value for all shares, including the previous holding, of AUD 760m (approximately SEK 4.9bn) and assumed net debt amounts to approximately AUD 196m. Essity's previous holding in Asaleo Care of 36.2% has, according to IFRS, been remeasured on July 1, resulting in a positive extraordinary remeasurement effect of AUD 110m (SEK 706m) in the third quarter. The remeasurement effect was calculated on the basis of the cash offer, less the assessed control premium contained therein.

Since the acquisition, Asaleo Care reported net sales amounting to SEK 1,539m, adjusted EBITDA to SEK 316m and adjusted EBITA to SEK 226m. If Asaleo Care had been consolidated as of January 1, 2021, Essity's net sales would have been positively impacted in the amount of SEK 2,641m, adjusted EBITDA by SEK 516m and adjusted EBITA by SEK 342m after adjustment for recognized external sales in Essity to Asaleo Care, the recognized share in profits from associates in Essity, and excluding items affecting comparability in Asaleo Care during the first half of the year.

##### Productos Familia S.A.

On August 31, 2021, Essity finalized the acquisition of 45.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia"), which was subject to customary regulatory approvals. Essity now owns 95.8% of Familia. The purchase price amounted to SEK 5,961m on a debt-free basis. Already prior to acquisition of the additional shares, Essity had control of Familia and it was fully consolidated in the Group's accounts. The transaction with shareholders entailed an increase of SEK 5,961m in Essity's net debt and the corresponding decrease in Essity's equity.

##### Athletic tape brands from Johnson & Johnson Consumer Inc.

On November 1, 2021, Essity announced that it had acquired Johnson & Johnson Consumer Inc.'s professional athletic tape brands Coach, Elastikon and Zonas, which are established premium products in the USA market. Essity is a global market leader in taping and strapping and following the acquisition the company will also become leading among USA sports medicine distributors. The purchase price is not material and is not disclosed.



## F5. Acquisitions and divestments of Group companies and other operations, cont.

### AquaCast LLC

On December 21, 2021, Essity acquired 100% of the shares in AquaCast Liner LLC, a specialist orthopedics company that supplies waterproof cast liners in the USA market. The purchase price is not material and is not disclosed. The net assets included in the acquisition were not material. The company has four employees. Net sales for 2020 and 2021 were not material in relation to those of the Group.

### Hydrofera LLC

On December 29, 2021, Essity acquired 100% of the shares in the USA-based company Hydrofera LLC, which produces and markets Hydrofera Blue Antibacterial Wound Dressings, an advanced line of wound care products designed to shorten healing times, lower treatment costs and deliver better patient outcomes. The company has about 90 employees.

In 2020, Hydrofera reported sales of approximately USD 23.5m (SEK 216m) with EBITDA of USD 4.6m (SEK 42m) and EBITA of USD 4.3m (SEK 39m). For the first nine months of 2021, Hydrofera reported net sales of USD 20.7m (SEK 176m) with EBITDA of USD 5.9m (SEK 50m) and EBITA of USD 5.6m (SEK 48m). The final purchase price for Hydrofera amounted to USD 129m.

Transaction cost for the acquisitions amounted to SEK 124m and are recognized in items affecting comparability in profit or loss.

### Acquisitions in 2020

On February 27, 2020, it was announced that an agreement had been signed to acquire 75% of the Swedish medical solutions company ABIGO Medical AB. ABIGO Medical AB develops, manufactures and markets products including the Sorbact® technology, which is a clinically established innovation for advanced wound care. The purchase price for the shares amounts to SEK 674m, and takeover of net debt to SEK 6m. The transaction, which was subject to the customary regulatory approvals, was finalized on April 30, 2020. The purchase price allocation was established in the final quarter of 2020. Goodwill is justified since ABIGO Medical AB was already an important partner and supplier to Essity prior to the acquisition, with Essity already using Sorbact® in its wound care products to prevent and treat infections. The company has about 170 employees and net sales in 2019 amounted to SEK 403m.

On April 1, 2020, Essity acquired 100% of the shares in Novioscan B.V., a Dutch company that develops a wearable ultrasound technology that monitors the bladder and enables continence control. The purchase price for the shares was EUR 4m and the takeover of net debt was EUR 3m. The company has ten employees. Net sales for 2019 and for the last three quarters of 2020 were negligible in relation to those of the Group. The purchase price allocation led to a goodwill of SEK 71m. The purchase price allocation was established in the final quarter of 2020.

Transaction costs for both acquisitions amounted to SEK 7m and are recognized in items affecting comparability in profit or loss.

### Acquisitions of Group companies and other operations

The table below shows the fair value of acquired net assets recognized on the acquisition date, recognized goodwill and the effect on the Group's cash flow statements.

Acquisition balance sheets			
SEKm	2022	2021	2020
Intangible assets	2,274	2,541	236
Property, plant and equipment	247	1,074	92
Other non-current assets	31	–	–
Operating assets	669	1,178	184
Cash and cash equivalents	49	185	47
Provisions and other non-current liabilities	–632	–479	–69
Net debt excluding cash and cash equivalents	–144	–1,425	–79
Operating liabilities	–353	–658	–76
<b>Fair value of net assets</b>	<b>2,141</b>	<b>2,416</b>	<b>335</b>
Goodwill	3,608	3,398	603
Non-transferred consideration, recognized as a liability	–908	69	–225
Consolidated value of share in associates	–	–565	–
Revaluation of previously owned shares in associates	–	–706	–
Non-controlling interests	3	1,919	1
Acquisition of non-controlling interests recognized in equity attributable to owners of the Parent company	10	4,042	1
<b>Consideration transferred</b>	<b>4,854</b>	<b>10,573</b>	<b>715</b>
Consideration transferred	–4,854	–10,573	–715
Settled debt pertaining to acquisitions in earlier years	–6	–	–
Cash and cash equivalents in acquired companies	49	185	47
<b>Effect on Group's cash and cash equivalents, acquisition of Group companies and other operations</b> <b>CF</b>	<b>–4,811</b>	<b>–10,388</b>	<b>–668</b>
of which recognized as acquisitions in investing activities	–4,798	–4,427	–668
of which recognized as acquisitions of non-controlling interests in financing activities	–13 <sup>1)</sup>	–5,961 <sup>1)</sup>	–
Acquired net debt excluding cash and cash equivalents	–144	–1,425	–79
<b>Acquisitions of Group companies and other operations during the period, including net debt assumed</b> <b>OCF</b>	<b>–4,955</b>	<b>–11,813</b>	<b>–747</b>

1) Relates to the acquisition of 45.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia").

## F5. Acquisitions and divestments of Group companies and other operations, cont.

### Specification of preliminary acquisition balance sheet 2022

SEKm	Modibodi	Knix	Other	Total
Intangible assets	341	1,747	186	2,274
Property, plant and equipment	4	79	164	247
Other non-current assets	5	4	22	31
Operating assets	98	483	88	669
Cash and cash equivalents	26	17	6	49
Provisions and other non-current liabilities	-102	-457	-73	-632
Net debt excluding cash and cash equivalents	-3	-53	-88	-144
Operating liabilities	-51	-286	-16	-353
<b>Fair value of net assets</b>	<b>318</b>	<b>1,534</b>	<b>289</b>	<b>2,141</b>
Goodwill	706	2,782	120	3,608
Non-transferred consideration, recognized as a liability	-	-863	-45	-908
Non-controlling interests	-	-	3	3
Acquisition of non-controlling interests recognized in equity attributable to owners of the Parent company	-	-	10	10
<b>Consideration transferred</b>	<b>1,024</b>	<b>3,453</b>	<b>377</b>	<b>4,854</b>
Consideration transferred	-1,024	-3,453	-377	-4,854
Settled debt pertaining to acquisitions in earlier years	-	-	-6	-6
Cash and cash equivalents in acquired companies	26	17	6	49
<b>Effect on Group's cash and cash equivalents, acquisition of Group companies and other operations <span style="color: green;">CF</span></b>	<b>-998</b>	<b>-3,436</b>	<b>-377</b>	<b>-4,811</b>
of which recognized as acquisitions in investing activities	-998	-3,436	-364	-4,798
of which recognized as acquisitions of non-controlling interests in financing activities	-	-	-13	-13
Acquired net debt excluding cash and cash equivalents	-3	-53	-88	-144
<b>Acquisitions of Group companies and other operations during the period, including net debt assumed <span style="color: green;">OCF</span></b>	<b>-1,001</b>	<b>-3,489</b>	<b>-465</b>	<b>-4,955</b>

### Adjustment of preliminary acquisition balance sheets 2021

All purchase price allocations related to acquisitions in 2021 that were not finalized in December 2021 were finalized without any significant adjustment in 2022.

### Divestments of Group companies and other operations

No divestments took place in 2022. During the year, a claim on a group company divested in previous years was written down by SEK -2m.

In 2021, Essity deconsolidated its 50% shareholding in ProNARO and instead recognizes the company according to the equity method. Essity has previously recognized ProNARO as a joint operation according to the proportional method. The reason for this change is that ProNARO's operation, the purpose of which is to supply Essity and its partner Sappi with raw materials at a lower cost by pooling timber purchases, has become more independent as the company also sells timber to external customers. ProNARO's recognized net sales for 2020 amounted to SEK 435m and EBITA to SEK 0m in Essity's accounts.

In conjunction with the process concerning the acquisition of the remaining 25% of the shares in ABIGO Medical AB, in July 2021 Essity – in accordance with the terms of the agreement – divested ABIGO Medical's pharma operations to the company's founder for SEK 32m. In July 2021, Essity received SEK 18m in payment for a previously unpaid purchase consideration from the divestment in 2020 of its 49% stake in Sancella Tunisia, and SEK 8m in payment for the receivable on the sales proceeds concerning the divestment of a minor operation in Medical Solutions in Brazil in 2019.

In 2021, accumulated negative translation differences of a total of SEK 60m were recirculated to profit or loss in conjunction with the revaluation of Essity's previously recognized holding of 36.2% upon acquisition of Asaleo Care and the concluded liquidation of Essity's hygiene operation in the Philippines.

The capital gain excluding reclassification of realized translation differences for all divestments amounted to SEK 39m in 2021. Including reclassification of realized negative translation differences totaling SEK 60m for liquidated Group companies and the previous holding of 36.2% in the associate Asaleo Care, the net loss amounted to SEK 21m.

In 2020, Essity divested its share of 49% in Sancella Tunisia, a share of its Baby Care operation in Russia, a minor operation included in the Abigo acquisition, and discontinued its previously closed operation in Morocco and India.

### Assets and liabilities included in divestments of Group companies and other operations

SEKm	2022	2021	2020
Intangible assets	-	2	38
Property, plant and equipment	-	-	129
Other non-current assets	-	-1	24
Operating assets	-	33	322
Cash and cash equivalents	-	44	38
Net debt excluding cash and cash equivalents	-	-15	-284
Operating liabilities	-	-68	-268
Non-controlling interests	-	-	57
Gain/loss on sale <sup>1)</sup>	-	39	65
<b>Compensation received</b>	<b>-</b>	<b>34</b>	<b>121</b>
Less:			
Financial receivable for unpaid purchase consideration	-	-	-18
Cash and cash equivalents in divested companies	-	-44	-38
Add:			
Payment of receivable for previously unpaid purchase consideration	-	8	-
Payment of financial receivable for previously unpaid purchase consideration	-	18	-
<b>Impact on Group's cash and cash equivalents, divestments of Group companies and other operations <span style="color: green;">CF</span></b>	<b>-</b>	<b>16</b>	<b>65</b>
Less:			
Payment of financial receivable for previously unpaid purchase consideration	-	-18	-
Add:			
Financial receivable for unpaid purchase consideration	-	-	18
Divested net debt excluding cash and cash equivalents	-	15	284
<b>Divestments of Group companies and other operations during the period, including net debt transferred and financial receivable for unpaid purchase consideration <span style="color: green;">OCF</span></b>	<b>-</b>	<b>13</b>	<b>367</b>

1) Excluding reversal of realized translation differences in divested companies to profit or loss. Gain/loss on divestments is included in items affecting comparability in profit or loss.

## G. Other

### G1. Leases

#### Accounting principles **AP**

When a contract is signed it is assessed if the contract is or contains a lease. A contract is or contains a lease if:

- it contains an identified asset
- Essity is entitled to essentially all economic benefits arising from the use of the identified asset
- Essity is entitled to control the use of the asset

If any of the above conditions are not met, the contract is not regarded as a lease or containing a lease and is therefore classified as a service contract.

On the commencement date of the lease, meaning when the asset becomes available for use by Essity, a right-of-use asset and a financial liability are recognized in the balance sheet.

The right-of-use asset is measured at cost and includes the following:

- the value of the amount of the lease liability
- lease payments made on or before the commencement date, after deductions for any benefits received in conjunction with signing the lease
- initial direct fees
- an estimate of expenses expected to be paid to restore the asset to the condition as stipulated in the terms of the lease

The right-of-use asset is recognized in the balance sheet under the heading Property, plant and equipment and is depreciated on a straight-line basis over the shorter period of the asset's anticipated useful life and the lease term. The lease term is assessed on the basis of the length of the underlying contract taking into consideration the cancellation and renewal options.

The lease liability is measured at the present value of the following lease payments:

- fixed fees, less any incentive receivables
- variable lease payments due to an index or rate
- amounts expected to be paid in accordance with residual value guarantees
- the exercise price for a purchase option, if Essity is reasonably certain of exercising the option
- financial penalties to be paid on termination of the lease, if the lease term reflects that Essity will utilize this option

Lease payments are normally discounted using Essity's incremental borrowing rate as the implicit rate of the lease cannot be readily determined in most cases. The incremental borrowing rate used is determined on the basis of the contract currency of the agreement and the length of the lease.

The lease liabilities are recognized under the headings Non-current financial liabilities or Current financial liabilities. Lease liabilities are measured at amortized cost according to the effective interest method. The liability is remeasured when future payments are amended by index or by other means, such as a new assessment of future residual value commitments, or the exercise of purchase, renewal or cancellation options. When the lease liability is remeasured as described above, a corresponding adjustment of the value of the right-of-use asset is made. When making lease payments, the contribution is allocated between interest expense and repayment of the lease liability. In the consolidated cash flow statement, payments pertaining to the amortization of the lease liability are recognized in financing activities and payments pertaining to interest expenses are recognized as interest paid. In profit or loss, depreciation of the right-of-use asset is recognized in operating profit while interest expense is recognized in financial expenses.

Essity has decided to apply the exemption rules for short-term leases and leases where the underlying asset has a low value. These leases are not included in the right-of-use asset or the liability. Lease payments for these contracts are expensed on a straight-line basis over the lease term.

#### Key assessments and assumptions **KAA**

Assessments and assumptions must be used when reporting leases in accordance with IFRS 16 Leases. The two most significant assessments concern the length of the lease term and the discount rate to be used. The implicit rate of the leases cannot be readily determined and lease payments are therefore discounted over the expected lease term using Essity's incremental borrowing rate. The incremental borrowing rate corresponds to what Essity would need to pay to use a loan to finance the purchase of an equivalent asset for a similar duration in the contract currency of the lease. The duration of the lease is determined as the non-cancellable lease term together with periods that may be covered by an option to extend a lease if it is reasonably certain that the contract will be renewed and periods covered by an option to terminate the lease if it is reasonably certain that a possibility to cancel the lease will not be utilized. When assessing if it is reasonably certain that a renewal option or cancellation option will be used, all relevant facts and circumstances that create economic incentives or deterrents are taken into account. The assessment of the lease term is reviewed in cases where facts and circumstances have significantly changed.

Essity enters into leases on a continuous basis for office buildings, distribution centers and vehicles, such as trucks, forklifts and passenger cars.

Lease terms for properties are generally between 3–15 years, while lease terms for vehicles are generally between 3–5 years. Essity also has leases with a shorter lease term than 12 months and leases pertaining to assets of low value, such as office equipment. For these, Essity has chosen to apply the exemption rules in IFRS 16 Leases, meaning the value of these contracts is not part of the right-of-use asset or lease liability. There are no significant extension periods not taken into account in the lease liability.

#### **TG1:1**

SEKm	Right-of-use assets				Lease liabilities
	Properties	Vehicles	Other	Total	
<b>Value, January 1, 2022</b>	<b>4,552</b>	<b>372</b>	<b>29</b>	<b>4,953</b>	<b>3,771</b>
Additional right-of-use assets, net	926	186	–3	1,109	1,109
Leases included in acquisitions	139	2	–	141	141
Depreciation	–839	–222	–13	–1,074	
Impairment	–45	–	–	–45	
Interest expenses					107
Payments					–1,111
Translation differences	305	36	2	343	264
<b>Value, December 31, 2022</b>	<b>5,038</b>	<b>374</b>	<b>15</b>	<b>5,427</b>	<b>4,281</b>

In addition to the expenses in the table above, Essity recognized SEK 302m (284; 286) relating to costs for short-term leases, leases of low-value assets and variable lease payments. The total earnings impact of leases, including depreciation, impairment and interest expenses, was SEK 1,528m (1,301; 1,306). Lease payments totaled SEK 1,413m (1,258; 1,300).

The maturity structure concerning undiscounted future lease payments during future lease terms is presented in Note E5 Liquidity risk on page 114.

Essity has entered into binding leases regarding office properties where the lease term has yet to begin, future lease payments for these contracts are SEK 217m distributed over the next ten years.

## G1. Leases, cont.

### TG1:2

SEKm	Right-of-use assets				Lease liabilities
	Properties	Vehicles	Other	Total	
<b>Value, January 1, 2021</b>	<b>4,301</b>	<b>299</b>	<b>12</b>	<b>4,612</b>	<b>3,531</b>
Additional right-of-use assets, net	612	237	16	865	865
Leases included in acquisitions	117	19	7	143	143
Depreciation	-730	-201	-7	-938	
Interest expenses					79
Payments					-974
Translation differences	252	18	1	271	127
<b>Value, December 31, 2021</b>	<b>4,552</b>	<b>372</b>	<b>29</b>	<b>4,953</b>	<b>3,771</b>

### TG1:3

SEKm	Right-of-use assets				Lease liabilities
	Properties	Vehicles	Other	Total	
<b>Value, January 1, 2020</b>	<b>3,446</b>	<b>358</b>	<b>17</b>	<b>3,821</b>	<b>3,872</b>
Additional right-of-use assets, net	630	176	2	808	808
Leases included in acquisitions	9	4	-	13	13
Reclassification	1,206	-	-	1,206	-
Depreciation	-706	-210	-6	-922	
Interest expenses					98
Payments					-1,014
Translation differences	-284	-29	-1	-314	-246
<b>Value, December 31, 2020</b>	<b>4,301</b>	<b>299</b>	<b>12</b>	<b>4,612</b>	<b>3,531</b>

## G2. Contingent liabilities and pledged assets

### Accounting principles AP

A contingent liability is recognized when there is a potential or actual obligation arising from past events that is not recognized as a liability or provision, either because it is improbable that an outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

### Contingent liabilities

SEKm	2022	2021	2020
Guarantees for			
associates	1	1	1
customers and others	53	48	47
Other contingent liabilities	275	222	39
<b>Total</b>	<b>329</b>	<b>271</b>	<b>87</b>

With reference to infringements of competition rules, claims for damages have been brought against the company. The company contests its responsibility and does not expect the claim to have a material impact.

### Pledged assets

SEKm	Pledged assets related to financial liabilities	Other	Total		
			2022	2021	2020
Real estate mortgages	21	-	21	309	300
Chattel mortgages	-	-	-	76	103
Other	65	230	295	305	283
<b>Total</b>	<b>86</b>	<b>230</b>	<b>316</b>	<b>690</b>	<b>686</b>

Liabilities for which some of these assets were pledged as collateral amounted to SEK 199m (214; 302).

## G3. Transactions with related parties

On July 1, 2021, Essity increased its ownership stake in Asaleo Care Ltd, which was previously listed on the stock exchange in Australia (ASX), from 36% to 100%. Sales to Asaleo Care mainly concern products in Professional Hygiene and Incontinence Products. Transactions and dealings are outlined in the tables below. Due to the increased ownership stake, the 2021 financial information pertains solely to the period from January to June, 2021.

Essity owns 49% of Bunzl & Biach GmbH. Purchases from Bunzl & Biach relate mainly to raw materials in the form of recovered paper. Transactions and dealings are outlined in the tables below.

Essity owns 40% of the company Uni-Charm Mölnlycke BV, which is recognized as a joint operation, for further information see Note F4 Joint operations on page 123 concerning the accounting principles and a description of how the collaboration is structured. The accounting principle entails that 40% of transactions and dealings between Uni-Charm Mölnlycke BV and Essity are eliminated as intra-Group transactions and 60% is recognized as external transactions and dealings. External transactions and dealings between Essity and Uni-Charm Mölnlycke BV are presented in the tables below.

Essity owns 50% of the company ProNARO, whose main task is to negotiate prices, optimize inventory levels and reduce lead times and costs when purchasing timber. Up to and including 2020, the company was recognized as a joint operation, but since January 1, 2021 is recognized according to the equity method due to a change of focus that means the company is more independent, see also Note F4 on page 123. Transactions and dealings between Essity and ProNaro are presented in the tables below.

### Transactions and dealings with related parties 2022 **TG3:1**

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke BV	ProNARO
Purchases	–	455	1,367	752
Trade receivables	–	–	75	–
Trade payables	–	41	131	32

### Transactions and dealings with related parties 2021 **TG3:2**

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke BV	ProNARO
Sales	269	–	–	–
Purchases	–	303	1,085	459
Other income	14	–	–	–
Trade receivables	–	–	58	–
Trade payables	–	35	123	7

### Transactions and dealings with related parties 2020 **TG3:3**

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke BV	ProNARO <sup>1)</sup>
Sales	396	–	–	–
Purchases	–	260	1,001	258
Other income	28	–	–	–
Trade receivables	64	–	44	–
Trade payables	–	22	90	7

1) 50% of this amount relates to external transactions and dealings since the company was recognized as a joint operation, and 50% is eliminated as an intra-Group transaction.

## G4. Risks that have arisen as a result of the war in Ukraine

The war in Ukraine has created an uncertain situation for the health and safety of a number of our employees. The global situation has also been negatively affected in general, an example of which is the dramatic increase in energy prices in Europe. The higher energy prices impact Essity's earnings.

The company's assets in Russia have been impaired by approximately SEK 1.7bn. Work is ongoing to exit the Russian market. In 2022, Essity's net sales in Russia amounted to approximately SEK 3.6bn, corresponding to about 2% of total consolidated net sales. Net assets in Russia amount to approximately SEK 1.4bn following the aforementioned impairment.

These assets include cash and cash equivalents of SEK 0.9bn. It is not possible to foresee if these cash and cash equivalents will be available outside Russia but it is assumed that they can be used to pay debts in Russia that amount to approximately SEK 0.6bn. Other assets consist of inventory of approximately SEK 500m, trade receivables of approximately SEK 500m and other receivables of approximately SEK 100m. Essity has 1,400 employees in Russia and three production plants.

Essity's net sales in Ukraine amounted to less than 1% of total consolidated net sales in 2022.

## G5. Events after the balance sheet date

No significant events, with impact on the financial statements, have occurred after the year-end date.





## Financial statements, Parent company

### Income statement **IS**

SEKm	Note	2022	2021
Administrative expenses		-755	-734
Other operating income		237	312
<b>Operating loss</b>	PC2	<b>-518</b>	<b>-422</b>
<b>Financial items</b>	PC10		
Result from participations in Group companies		1,206	4,119
Interest income and similar profit items		12	13
Interest expenses and similar loss items		-3,412	-1,430
<b>Total financial items</b>		<b>-2,194</b>	<b>2,702</b>
<b>Profit/loss after financial items</b>		<b>-2,712</b>	<b>2,280</b>
Appropriations	PC4	-189	-1
Income taxes	PC4	505	-168
<b>Profit/loss for the period</b>		<b>-2,396</b>	<b>2,111</b>

### Statement of comprehensive income

SEKm	2022	2021
<b>Profit/loss for the period</b>	<b>-2,396</b>	<b>2,111</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-2,396</b>	<b>2,111</b>

### Cash flow statement **CF**

SEKm	2022	2021
<b>Operating activities</b>		
Profit/loss after financial items	-2,712	2,280
Adjustment for non-cash items <b>T:1</b>	4,193	-260
Paid tax	-189	-18
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,292</b>	<b>2,002</b>
Change in operating receivables <sup>1)</sup>	-164	1,471
Change in operating liabilities <sup>1)</sup>	538	618
<b>Cash flow from operating activities</b>	<b>1,666</b>	<b>4,091</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	-	-1,111
Investments in non-current assets	-1	-1
<b>Cash flow from investing activities</b>	<b>-1</b>	<b>-1,112</b>
<b>Financing activities</b>		
Proceeds from borrowings	3,252	1,762
Dividend paid	-4,917	-4,741
<b>Cash flow from financing activities</b>	<b>-1,665</b>	<b>-2,979</b>
<b>Cash flow for the period</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31 <sup>2)</sup>	0	0
<b>Adjustment for non-cash items <b>T:1</b></b>	<b>2022</b>	<b>2021</b>
Depreciation of non-current assets	2	2
Change in accrued items	3,383	-252
Impairment of participations in subsidiaries	823	-
Change in provisions	-15	-10
<b>Total</b>	<b>4,193</b>	<b>-260</b>

1) Deals of the Parent company with the Swedish Group companies relating to Group contributions and internal tax are recognized as Change in operating receivables or Change in operating liabilities, respectively.

2) The company's current account is a sub-account and is recognized in the balance sheet as liabilities to Group companies.

### Supplementary disclosures

Interest and dividends paid and received	2022	2021
Dividends received	2,856	4,706
Group contribution received	485	1,937
Group contribution paid	-1,072	-360
Interest paid	-1,428	-1,187
Interest received	263	246
<b>Total</b>	<b>1,104</b>	<b>5,342</b>



## Change in liabilities attributable to financing activities

SEKm	Value, January 1	Cash flow	Translation difference	Value, December 31
Non-current interest-bearing liabilities	34,572	1,458	2,362	38,392
Non-current interest-bearing liabilities to Group companies	–	11,965	216	12,181
Current interest-bearing liabilities	3,819	5,952	726	10,497
Current interest-bearing liabilities to Group companies	51,112	–16,123	0	34,989
Current interest-bearing receivables from Group companies	0	0	0	0
<b>Total</b>	<b>89,503</b>	<b>3,252</b>	<b>3,304</b>	<b>96,059</b>

## Balance sheet BS

SEKm	Note	2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalized development costs		0	0
<b>Intangible assets</b>	PC5	<b>0</b>	<b>0</b>
Machinery and equipment		12	13
<b>Property, plant and equipment</b>	PC6	<b>12</b>	<b>13</b>
Participations in subsidiaries	PC7	175,736	176,559
Receivables from Group companies	PC8	–	286
Other non-current receivables		230	249
Deferred tax assets	PC4	814	185
<b>Financial non-current assets</b>		<b>176,780</b>	<b>177,279</b>
<b>Total non-current assets</b>		<b>176,792</b>	<b>177,292</b>
<b>Current assets</b>			
Receivables from Group companies	PC8	3,013	814
Other current receivables	PC9	35	38
<b>Total current assets</b>		<b>3,048</b>	<b>852</b>
<b>Total assets</b>		<b>179,840</b>	<b>178,144</b>

## Balance sheet BS

SEKm	Note	2022	2021
<b>Equity, provisions and liabilities</b>			
<b>Equity</b>	PC12		
Share capital		2,350	2,350
Statutory reserve		0	0
<b>Total restricted equity</b>		<b>2,350</b>	<b>2,350</b>
Retained earnings		78,642	81,448
Profit/loss for the period		–2,396	2,111
<b>Total non-restricted equity</b>		<b>76,246</b>	<b>83,559</b>
<b>Total equity</b>		<b>78,596</b>	<b>85,909</b>
<b>Untaxed reserves</b>	PC4	<b>195</b>	<b>6</b>
<b>Provisions</b>			
Provisions for pensions	PC3	828	878
Other provisions		18	2
<b>Total provisions</b>		<b>846</b>	<b>880</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies	PC8	14,078	180
Non-current interest-bearing liabilities	PC10	38,392	34,572
<b>Total non-current liabilities</b>		<b>52,470</b>	<b>34,752</b>
<b>Current liabilities</b>			
Liabilities to Group companies	PC8	36,537	52,222
Current tax liabilities	PC4	94	159
Current interest-bearing liabilities	PC10	10,497	3,819
Trade payables		26	22
Other current liabilities	PC11	579	375
<b>Total current liabilities</b>		<b>47,733</b>	<b>56,597</b>
<b>Total equity, provisions and liabilities</b>		<b>179,840</b>	<b>178,144</b>

## Change in equity (Refer also to Note PC12)

SEKm	Share capital	Statutory reserve	Retained earnings and profit/loss for the period	Total equity
<b>Equity at December 31, 2020</b>	<b>2,350</b>	<b>0</b>	<b>86,189</b>	<b>88,539</b>
Profit for the period			2,111	2,111
Dividend, SEK 6.75 per share			–4,741	–4,741
<b>Equity at December 31, 2021</b>	<b>2,350</b>	<b>0</b>	<b>83,559</b>	<b>85,909</b>
Loss for the period			–2,396	–2,396
Dividend, SEK 7.00 per share			–4,917	–4,917
<b>Equity at December 31, 2022</b>	<b>2,350</b>	<b>0</b>	<b>76,246</b>	<b>78,596</b>

## PC. Notes to the Parent company's financial statements

### PC1. Basis for preparation of Parent company's annual accounts

The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 Accounting for Legal Entities. According to RFR 2, the Parent company is to apply all the International Financial Reporting Standards adopted by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act.

The same accounting principles are usually applied in both the Parent company and the Group. In some cases, the Parent company applies principles other than those used by the Group and, in such cases, these principles are specified under the respective note in the section about the Parent company.

### PC2. Operating profit/loss

#### Operating profit/loss by type of cost

SEKm	Note	2022	2021
Other operating income		237	312
Other external costs		-353	-442
Personnel and Board costs		-400	-290
Depreciation of property, plant and equipment	PC6	-2	-2
<b>Total IS</b>		<b>-518</b>	<b>-422</b>

The item "Other external costs" includes primarily consultancy fees, travel expenses, lease expenses and management costs.

#### AUDITING EXPENSES

##### Auditing expenses

SEKm	2022	2021
<b>EY</b>		
Audit assignments	-9	-9
Auditing activities other than the audit assignment	-1	1
Tax consultancy services	-	0
Other assignments	0	0
<b>Total</b>	<b>-10</b>	<b>-8</b>

#### Leases

##### Accounting principles AP

IFRS 16 Leases came into effect on January 1, 2019. RFR 2 contains an exception allowing all leases to be recognized in profit or loss.

Future payment commitments for non-cancellable operating leases are as follows:

SEKm	2022	2021
Within 1 year	35	30
Between 2 and 5 years	133	115
Later than 5 years	65	86
<b>Total</b>	<b>233</b>	<b>231</b>

Cost for the period for leasing of assets amounted to SEK -36m (-34). Leased assets comprise means of transportation and office premises.

### PC3. Personnel and Board costs

#### Salaries and remuneration

SEKm	2022	2021
Board of Directors <sup>1)</sup> , President, Executive Vice President and senior executives (4 (5))	-99	-55
of which variable remuneration	-46	-2
Other employees	-158	-97
<b>Total</b>	<b>-257</b>	<b>-152</b>

<sup>1)</sup> Board fees decided by the Annual General Meeting amounted to SEK -12m (-10). For further information, see Notes C1-C4 on pages 99-104.

#### Social security costs

SEKm	2022	2021
Total social security costs	-133	-131
of which pension costs <sup>1)</sup>	-52	-84

<sup>1)</sup> Of the Parent Company's pension costs, SEK -15m (-17) pertains to the Board, President, Executive Vice President and senior executives. Former Presidents and Executive Vice Presidents and their survivors are also included. The company's outstanding pension obligations to these individuals amount to SEK 91m (90).

#### Pension costs

SEKm	2022	2021
<b>Self-administered pension plans</b>		
Costs excluding interest expense	-8	-64
Interest expense (recognized in personnel costs)	-2	1
<b>Sub-total</b>	<b>-10</b>	<b>-63</b>
<b>Retirement through insurance</b>		
Insurance premiums	-24	-24
Other	-10	26
<b>Sub-total</b>	<b>-44</b>	<b>-61</b>
Policyholder tax	0	0
Special payroll tax on pension costs	-6	-19
Cost of credit insurance, etc.	-2	-4
<b>Pension costs for the period</b>	<b>-52</b>	<b>-84</b>

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK -1m (-2). Premiums for 2023 are expected to amount to SEK 1m, see also Provisions for pensions in this note. Personnel costs also include other personnel costs in the amount of SEK -10m (-7).

#### Average number of employees

	2022	2021
Sweden	106	106
of whom women, %	62	58

#### Breakdown of employees by age groups, %

2022	21-30 years	31-40 years	41-50 years	51-60 years	61+ years
	7	19	33	34	7

Women comprised 38% (42) of Board members and 33% (31) of senior executives.

## PC3. Personnel and Board costs, cont.

### Provisions for pensions

#### Accounting principles **AP**

The Parent company's provisions for pensions are secured by the regulations in the Pension Obligations Vesting Act (Tryggandelagen) and via endowment insurances. Recognition complies with the simplification rule for defined benefit pension plans in accordance with the voluntary exception in RFR 2 regarding IAS 19. The main difference compared with IAS 19 is that Swedish GAAP disregards future increases in salaries and pensions when calculating the present value of the pension obligation. This present value includes, however, a special reserve for future payments of pension supplements indexed for inflation. Both defined contribution and defined benefit plans exist in the Parent company.

#### PRI Pensions

Pension liabilities pertaining to PRI pensions have been secured through a common Swedish Essity pension fund. The market value of the Parent company's portion of the foundation's assets at December 31, 2022, amounted to SEK 247m (281). In 2022, compensation was received in the amount of SEK 7m (6). The capital value of the pension obligations at December 31, 2022 amounted to SEK 235m (191). Pension payments of SEK -8m (-7) were made in 2022. In 2022, the assets exceeded pension obligations by SEK 12m (90).

#### Other pension obligations

The Group's Note C2 Remuneration of senior executives on page 99 describes the other defined benefit pension plans of the Parent company. The table below shows the change between the years.

#### Capital value of pension obligations relating to self-administered pension plans

SEKm	2022	2021
Provisions under Pension Obligations Vesting Act	729	771
Provisions outside the rules of the Pension Obligations Vesting Act	99	107
<b>Value, December 31 <b>BS</b></b>	<b>828</b>	<b>878</b>

#### Capital value of pension obligations under the Pension Obligations Vesting Act

SEKm	2022	2021
<b>Value, January 1</b>	<b>771</b>	<b>777</b>
Costs excluding interest expense	7	42
Interest expense (recognized in personnel costs)	2	-1
Payment of pensions	-51	-47
<b>Value, December 31 <b>BS</b></b>	<b>729</b>	<b>771</b>

#### Capital value of pension obligations outside the rules of the Pension Obligations Vesting Act

SEKm	2022	2021
<b>Value, January 1</b>	<b>107</b>	<b>95</b>
Costs excluding interest expense	1	21
Interest expense (recognized in personnel costs)	0	0
Payment of pensions	-9	-9
<b>Value, December 31 <b>BS</b></b>	<b>99</b>	<b>107</b>

Out of the total pension liability in 2022 amounting to SEK 828m (828), SEK 99m (107) comprises a direct pension liability secured via endowment insurances. The direct pension liability is not secured in accordance with the Pension Obligations Vesting Act. Endowment insurances are reported as other non-current receivables in the balance sheet. For the remaining portion of the pension liability, external actuaries have carried out capital value calculations pursuant to the provisions of the Pension Obligations Vesting Act. The discount rate is 0.2% (-0.1). The defined benefit obligations are calculated based on salary levels valid on the respective balance sheet dates. Next year's expected payments for the above defined benefit pension plans amount to SEK 63m.

## PC4. Income taxes

### Accounting principles **AP**

Due to the links between accounting and taxation, the deferred tax liability on untaxed reserves is recognized in the Parent company's annual accounts as a component of untaxed reserves.

#### Tax expense

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

SEKm	2022	2021
Deferred tax	-629	-7
Current tax	124	175
<b>Total <b>IS</b></b>	<b>-505</b>	<b>168</b>

#### Explanation of tax expense

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

Reconciliation	2022		2021	
	SEKm	%	SEKm	%
Profit/loss before tax <b>IS</b>	-2,901		2,279	
Tax expense/income <b>IS</b>	-505	17.4	168	7.4
Expected tax	-598	20.6	469	20.6
<b>Difference</b>	<b>93</b>	<b>-3.2</b>	<b>-301</b>	<b>-13.2</b>
<b>The difference is due to:</b>				
Taxes related to prior periods	1	0.0	0	0.0
Non-taxable dividends from subsidiaries	-588	20.3	-969	-42.5
Non-deductible impairment of participations in subsidiaries	170	-5.9	-	-
Non-taxable Group contributions from Group companies <sup>1)</sup>	-8	0.3	0	0.0
Non-deductible Group contributions to Group companies <sup>1)</sup>	508	-17.5	385	16.9
Non-deductible interest expenses	251	-8.7	282	12.3
Other non-taxable/non-deductible items	-241	8.3	1	0.1
Changed tax rate	0	0.0	0	0.0
<b>Total</b>	<b>93</b>	<b>-3.2</b>	<b>-301</b>	<b>-13.2</b>

1) Non-taxable and non-deductible Group contributions relate to repayment from/to Group companies amounting to 79.4% (79.4) of the Group contribution.

The Parent company participates in the Group's tax pooling arrangement and as of 2021, pays the majority of the Group's total Swedish taxes. These are recognized as Group contributions paid and received in profit or loss. The net of paid and received Group contributions per Group company amounts to 20.6% (20.6) and represents the respective Group company's share of the Group's total tax expense. The gross amounts are recognized as taxable income and deductible expenses and the repayable amounts are recognized as non-taxable income and non-deductible expenses.

## PC4. Income taxes, cont.

### Current tax expense (+), tax income (-)

SEKm	2022	2021
Income tax for the period	116	174
Adjustments for prior periods	8	1
<b>Total</b>	<b>124</b>	<b>175</b>

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

SEKm	2022	2021
<b>Value, January 1</b>	<b>159</b>	<b>3</b>
Current tax expense	124	175
Paid tax	-189	-19
<b>Value, December 31</b> <a href="#">BS</a>	<b>94</b>	<b>159</b>

### Deferred tax expense (+), tax income (-)

SEKm	2022	2021
Changes in temporary differences	-622	-6
Adjustments for prior periods	-7	-1
<b>Total</b>	<b>-629</b>	<b>-7</b>

### Deferred tax assets (-)

SEKm	Value, January 1	Deferred tax income	Value, December 31
Provisions for pensions	-180	11	-169
Current receivables from Group companies	-	8	8
Non-current liabilities to Group companies	-	-391	-391
Other	-5	-257	-262
<b>Total</b> <a href="#">BS</a>	<b>-185</b>	<b>-629</b>	<b>-814</b>

### Appropriations and untaxed reserves

The Parent company's untaxed reserves include accumulated depreciation in excess of plan totaling SEK 7m (6). In 2022, provisions were also made to a tax allocation reserve in the amount of SEK 188m.

## PC5. Intangible assets

### Capitalized development costs

SEKm	2022	2021
Accumulated costs	0	0
Accumulated amortization	0	0
<b>Residual value according to plan</b>	<b>0</b>	<b>0</b>
<b>Value, January 1</b>	<b>0</b>	<b>0</b>
Investments	-	-
Sales and disposals	-	-
Amortization for the period	-	-
<b>Value, December 31</b> <a href="#">BS</a>	<b>0</b>	<b>0</b>

## PC6. Property, plant and equipment

### Accounting principles [AP](#)

The Parent company's property, plant and equipment are recognized in accordance with the Group's accounting principles.

### Equipment

SEKm	2022	2021
Accumulated costs	24	23
Accumulated depreciation	-12	-10
<b>Residual value according to plan</b>	<b>12</b>	<b>13</b>
<b>Value, January 1</b>	<b>13</b>	<b>14</b>
Investments	1	1
Sales and disposals	-	0
Depreciation for the period	-2	-2
<b>Value, December 31</b> <a href="#">BS</a>	<b>12</b>	<b>13</b>

## PC7. Participations in subsidiaries

### Accounting principles [AP](#)

The Parent company recognizes all holdings in subsidiaries at cost after deduction of any accumulated impairment losses. Impairment testing occurs annually.

### Participations in subsidiaries

	Subsidiaries	
SEKm	2022	2021
Accumulated costs	176,612	176,612
Accumulated impairment	-876	-53
<b>Carrying amount</b>	<b>175,736</b>	<b>176,559</b>
<b>Value, January 1</b>	<b>176,559</b>	<b>175,447</b>
Investments	-	1,391
Divestments	-	-279
Impairment	-823	-
<b>Value, December 31</b> <a href="#">BS</a> <a href="#">TPC7:1</a>	<b>175,736</b>	<b>176,559</b>

During the fiscal year, the Parent company – after receiving a dividend from Essity TC AB of SEK 856m – impaired its carrying amount by SEK 823m.



## PC7. Participations in subsidiaries, cont.

The Parent company's holdings of shares and participations in subsidiaries, December 31, 2022 **TPC7:1**

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
<b>Swedish subsidiaries:</b>					
Fastighets- och Bostadsaktiebolaget FOFBOF	556047-8520	Stockholm, Sweden	1,000	100	0
Essity Försäkringsaktiebolag	516401-8540	Stockholm, Sweden	140,000	100	14
Essity TC AB	556643-7298	Stockholm, Sweden	1,000	100	3
<b>Foreign subsidiaries:</b>					
Essity Group Holding B.V.	33181970	Amsterdam, Netherlands	246,347	100	175,698
Essity Capital B.V.	82525897	Amsterdam, Netherlands	2,000,000	100	21
<b>Total carrying amount of subsidiaries</b>					<b>175,736</b>

### German Group companies that are subject to disclosure exemptions

The following German companies are fully consolidated by Essity Aktiebolag (Publ) and subject to disclosure exemptions pursuant to SEC. 264 para. 3 of the German Commercial Code ("HGB").

1. Essity GmbH, domicile in Mannheim, Germany
2. Essity Holding GmbH, domicile in Ismaning, Germany
3. Essity Operations Neuss GmbH, domicile in Neuss, Germany
4. Essity Operations Mannheim GmbH, domicile in Mannheim, Germany
5. Essity Operations Mainz-Kostheim GmbH, domicile in Mainz-Kostheim, Germany
6. Essity Professional Hygiene Germany GmbH, domicile in Mannheim, Germany
7. Essity Germany GmbH, domicile in Mannheim, Germany
8. Essity Operations Witzenhausen GmbH, domicile in Witzenhausen, Germany
9. Essity Hygiene Holding GmbH, domicile in Mannheim, Germany
10. BSN medical GmbH, domicile in Hamburg, Germany
11. BSN medical IP GmbH, domicile in Hamburg, Germany
12. BSN-Jobst GmbH, domicile in Emmerich, Germany

## PC8. Receivables from and liabilities to Group companies

Receivables from and liabilities to Group companies

SEKm	2022	2021
<b>Non-current assets</b>		
Derivatives	-	286
<b>Total BS</b>	<b>-</b>	<b>286</b>
<b>Current assets</b>		
Financial derivatives	2,246	214
Trade receivables	124	114
Other receivables	643	486
<b>Total BS</b>	<b>3,013</b>	<b>814</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	12,181	-
Derivatives	1,897	180
<b>Total BS</b>	<b>14,078</b>	<b>180</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	34,989	51,112
Financial derivatives	44	24
Trade payables	15	13
Other liabilities	1,489	1,073
<b>Total BS</b>	<b>36,537</b>	<b>52,222</b>

## PC9. Other current receivables

Other current receivables

SEKm	2022	2021
Prepaid expenses and accrued income <b>TPC9:1</b>	34	23
Other receivables	1	15
<b>Total BS</b>	<b>35</b>	<b>38</b>
<b>Prepaid expenses and accrued income TPC9:1</b>		
Prepaid lease of premises	10	8
Prepaid financial expenses	1	1
Prepaid user licenses	11	2
Other items	12	12
<b>Total</b>	<b>34</b>	<b>23</b>

## PC10. Financial instruments

### Accounting principles **AP**

The Parent company's financial instruments are recognized in accordance with the Group's accounting principles. Refer to Notes E1–E4 on pages 110–113. Hedge accounting was not applied by the Parent company.

#### Financial items

SEKm	2022	2021
<b>Result from participations in Group companies</b>		
Dividends from subsidiaries	2,856	4,706
Group contributions received from Group companies	641	485
Group contributions paid to subsidiaries	-1,468	-1,072
Impairment of shares in subsidiaries	-823	-
<b>Interest income and similar profit items</b>		
Interest income, external	11	13
Interest income, Group companies	1	0
<b>Interest expenses and similar loss items</b>		
Interest expenses, external	-561	-459
Interest expenses, Group companies	-2,816	-957
Other financial expenses <sup>1)</sup>	-35	-14
<b>Total <b>IS</b></b>	<b>-2,194</b>	<b>2,702</b>

1) The item other financial expenses includes financial fees and exchange rate differences. Exchange rate differences amounted to SEK -0m (16), net.

### Interest-bearing liabilities

#### Non-current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2022	2021	2022	2021
Bond issues	29,571	32,549	25,682	32,444
Other non-current loans with a term > 1 yr < 5 yrs	8,821	2,023	7,946	2,008
<b>Total <b>BS</b></b>	<b>38,392</b>	<b>34,572</b>	<b>33,628</b>	<b>34,452</b>

#### Current interest-bearing liabilities

SEKm	Carrying amount		Fair value	
	2022	2021	2022	2021
Bond issues	5,559	-	5,599	-
Loans with maturities of less than one year	4,938	3,819	4,938	3,819
<b>Total <b>BS</b></b>	<b>10,497</b>	<b>3,819</b>	<b>10,537</b>	<b>3,819</b>

#### Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate %
Notes EUR 500m	2023	5,559	5,599	2.50
Notes EUR 600m	2024	6,667	6,467	1.13
Notes SEK 850m	2025	849	792	0.50
Notes SEK 2,150m	2025	2,156	2,086	STIB3M+0.50
Notes EUR 300m	2025	3,335	3,148	1.13
Upfront fee, Notes EUR 500m	2026	-10	-10	-
Notes EUR 500m	2027	5,540	5,023	1.63
Upfront fee, Notes EUR 600m	2029	-17	-17	-
Notes EUR 300m	2030	3,308	2,560	0.50
Notes EUR 700m	2031	7,743	5,633	0.25
<b>Total</b>		<b>35,130</b>	<b>31,281</b>	

### Financial instruments by category

#### Accounting principles **AP**

In 2022, the categories of financial instruments in the Parent company comprise in accordance with IFRS 9 financial assets and liabilities measured at fair value through profit or loss and amortized cost. All of the Parent company's financial assets and liabilities measured at fair value through profit or loss are assessed according to measurement level 2. A definition is provided in Note E1, page 110. Financial assets measured at amortized cost are continuously reviewed to assess the need for credit loss provisions. If there is a material need for credit loss provisions, a provision is made in accordance with the expected loss model.

## PC10. Financial instruments, cont.

### Financial instruments by category

SEKm	Note	2022	2021
<b>Financial assets measured at fair value through profit or loss</b>			
Derivatives with Group companies – Non-current financial assets	PC8	–	286
Endowment insurances – Other non-current receivables		230	249
Derivatives with Group companies – Current financial assets	PC8	2,246	214
<b>Total</b>		<b>2,476</b>	<b>749</b>
<b>Financial liabilities measured at fair value through profit or loss</b>			
Derivatives with Group companies – Non-current financial liabilities	PC8	1,897	180
Derivatives with Group companies – Current financial liabilities	PC8	44	24
<b>Total</b>		<b>1,941</b>	<b>204</b>
<b>Loan and trade receivables measured at amortized cost</b>			
Trade receivables with Group companies	PC8	124	114
Trade receivables – Other current receivables		1	1
<b>Total</b>		<b>125</b>	<b>115</b>
<b>Financial liabilities measured at amortized cost</b>			
Non-current interest-bearing liabilities to Group companies		12,181	–
Non-current interest-bearing liabilities		38,392	34,572
Current interest-bearing liabilities to Group companies	PC8	34,989	51,112
Current interest-bearing liabilities		10,497	3,819
Trade payables to Group companies	PC8	15	13
Trade payables		26	22
Other current liabilities to Group companies		20	1
Other current liabilities		324	256
<b>Total</b>		<b>96,444</b>	<b>89,795</b>

The nominal value of the derivatives before the right of set-off is SEK 168,342m (146,694). The nominal value of the derivatives after the right of set-off is SEK 167,989m (146,366).

## PC11. Other current liabilities

### Other current liabilities

SEKm	2022	2021
Accrued expenses and prepaid income <b>TPC11:1</b>	534	355
Other operating liabilities	45	20
<b>Total <b>BS</b></b>	<b>579</b>	<b>375</b>

### Accrued expenses and prepaid income **TPC11:1**

SEKm	2022	2021
Accrued interest expenses	324	255
Accrued social security costs	67	52
Accrued vacation pay liability	16	15
Other liabilities to personnel	82	3
Other items	45	30
<b>Total</b>	<b>534</b>	<b>355</b>

## PC12. Share capital

The change in equity is shown in the financial report relating to Equity presented on page 131. The Parent company was formed in 1988. The share capital and number of shares have increased since the formation via new issues and bonus issue as set out below:

YEAR	Event	No. of shares	Increase in share capital	Cash payment, SEKm
1988	Number of shares issued in connection with formation	500	0.1	0.1
1995	New issue 1:1, issue price SEK 100	500	0.1	0.1
2016	New issue 1:4, issue price SEK 100	4,000	0.4	0.4
2017	Bonus issue	702,337,489	2,349.9	0.0
<b>2022</b>	<b>Number of shares, December 31, 2022</b>	<b>702,342,489</b>	<b>2,350.4</b>	<b>0.5</b>

The quotient value of the company's shares amounts to SEK 3.35 (3.35).

## PC13. Contingent liabilities and pledged assets

### Contingent liabilities

SEKm	2022	2021
Guarantees for Group companies	22,701	15,767
Other contingent liabilities	21	21
<b>Total</b>	<b>22,722</b>	<b>15,788</b>

### Pledged assets

SEKm	2022	2021
Other	230	249
<b>Total</b>	<b>230</b>	<b>249</b>

## PC14. Adoption of the annual accounts

The annual accounts are subject to adoption by Essity's Annual General Meeting and will be presented for approval at the Annual General Meeting on March 29, 2023.

## PC15. Events after the balance sheet date

No significant events occurred after the year-end date that have a material impacted on the financial statements as per the year-end date.

## H. Notes to Group's sustainability information

### H1. General accounting principles

#### Reporting principles

The social and environmental data reported pertains to the 2022 calendar year unless stated otherwise. The figures included comply with relevant reporting and consolidation principles in accordance with the principles applied in the financial statements. The figures cover the Group's wholly owned subsidiaries and subsidiaries in which Essity owns at least 50%. If ownership in the Group company is at least 50% or more, the entire company is included in the reporting.

As a general rule, all social and environmental data for all companies that are part of the Group is included. For the Chinese company Vinda, a Group company with significant non-controlling interests (see Note F2), social data, such as employee figures, employee turnover and some health and safety data in notes H12 and H13 are reported. Some other social data is not included, for example Note H2 Code of Conduct data, as this company has its own Codes of Conduct. Environmental data includes, as a general rule, Vinda's Personal Care operations. Greenhouse gas emissions according to Scope 1, 2 and 3 are not included for Vinda's Tissue operations. Vinda publishes an Environmental, Social and Governance (ESG) report, which is available at [vinda.com](https://vinda.com).

Newly acquired businesses are included in the reporting as soon as possible, though not later than when they have been part of the Group for one calendar year. The data from divested companies is excluded in its entirety as of the divestment date. Historic data for discontinued units is retained.

The section on Sustainability governance on page 61 describes how Essity ensures that the company delivers on its sustainability targets. The H-notes present the results in recent years.

#### Data collection

Data provided in the report is compiled through various systems, primarily Essity's reporting system for sustainability data and the Group's financial consolidation system. The targets in the report apply, as a general rule, to wholly owned companies. Environmental reporting encompasses 77 production sites, covering virtually the entire company's environmental impact and resource utilization from production. Data from stand-alone tissue converting sites is included in data for the tissue plant.

Each unit reports the following data to the system:

- raw material consumption
- incoming and outgoing shipments
- production volumes
- energy use broken down by electricity, steam and fuel
- fuel consumption broken down by biofuels and fossil fuels
- air emissions, including data on fossil and biogenic carbon dioxide
- water emissions
- production waste

The calculation of greenhouse gas emissions for Scope 1, 2 and 3 of Science Based Targets encompasses carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). Conversion factors used:

- Greenhouse gas emissions from incineration are calculated using emission factors for the fuel's thermal value. Source: IPCC Guidelines 2006. (Scope 1 emissions)
- Greenhouse gas emissions from purchased electricity are calculated using the country's emission factor published by the International Energy Agency (IEA), 2019. (Scope 2 emissions, location-based)

#### Comparability

This is Essity's sixth integrated Annual and Sustainability Report. The previous year's report is from February 22, 2022. Figures from previous years are reported in parenthesis. Certain adjustments of environmental data for previous years, notes H10–H11, have taken place to adjust for acquisitions, divestments and updated location-based emission factors in line with the GHG protocol. Minor updates also took place following the integration of earlier acquisitions into Essity's global reporting system for sustainability data.

#### Environmental impact

Essity conducts operations requiring a permit through its production facilities. Such operations impact the environment through emissions to air and water, solid waste and noise.

#### GRI reporting

Essity reports sustainability information in accordance with the Global Reporting Initiative (GRI) guidelines for GRI Universal Standards. The report has been structured in accordance with GRI principles, meaning that the content is determined by the issues that are most material to Essity and its stakeholders, and that the content provides a complete overview of the operations. Essity's 20 subject areas in the materiality analysis are matched against GRI indicators, and they form the selection of the indicators that Essity presents in this report. Essity reports on all GRI indicators that are identified as material and on a relevant level. Any omissions or incomplete data are commented on directly in the GRI index. The Sustainability Report has been reviewed by EY. Additional information about Essity's work on social and environmental issues is available at [www.essity.com/sustainability](https://www.essity.com/sustainability). The index can be found on pages 154–155.

#### The UN Guiding principles

Essity uses the reporting framework for the United Nations Guiding Principles on Business and Human Rights and has reported on the overarching aspects contained in the framework.

#### Task Force on Climate-related Financial Disclosures (TCFD)

Essity is publishing its third TCFD index in this report to allow investors and other stakeholders easy access to TCFD-related information for comparisons or decision-making. The index is presented on page 153.

#### Sustainability Accounting Standards Board (SASB)

Since 2020, Essity has applied the standards applicable for the Household and Personal Products sectors. A detailed index with references to sections where Essity reports in relation to specific disclosures is available on page 153.

### H2. Business ethics

#### Code of Conduct

Essity's target is for all new employees to receive training in the Code of Conduct as part of their onboarding program. Training is mainly conducted online. At production facilities in which not all employees have immediate online access, Code of Conduct courses are held through classroom instructions. In 2022, a total of 90% of Essity's new employees underwent this mandatory training.

#### Training in the Code of Conduct, percentage of new employees

	2022	2021	2020	2019
Outcome	90	92	92	96

#### Reported breaches of the Code of Conduct

The summary below and on the following page presents reports submitted to the whistleblower system and to Essity's Compliance & Ethics department.

#### Reports submitted to the whistleblower system and to Essity's Compliance & Ethics department by category.

Category <sup>1)</sup>	2022	2021	2020	2019
Regulatory breach, Fraud and Corruption	31	14	11	17
Security Incidents	–	–	2	–
Operations	3	4	1	6

## H2. Business ethics, cont.

Category <sup>1)</sup>	2022	2021	2020	2019
Sustainability	–	–	–	–
Human Resources	83	43	45	65
Other	5	3	2	0
<b>Total</b>	<b>122</b>	<b>64</b>	<b>61</b>	<b>88</b>

1) Essity's Compliance & Ethics department allocates the submitted reports into the relevant category. The category may be changed during the course of an investigation.

Of the total of 122 reported cases in 2022, 109 were closed and 13 cases are still under investigation. Of the 83 reported cases in the Human Resources category, 18 concern degrading treatment. We have not received any reports of discrimination according to the ILO's definition, Convention no. 111, during the year. No individual was dismissed during the year for breaching the company's anti-corruption policy. No confirmed breaches were financially material.

### Internal audits conducted of the Code of Conduct

Internal audits conducted of the Code of Conduct are divided into two types of audit. The first type takes place at Essity's production facilities based on the SA8000 standard. In 2022, five audits of factories were performed. The audits were carried out in Hoogezand in the Netherlands, Jarinu in Brazil, Nokia in Finland, Cajica in Colombia and Reynosa in Mexico. Just over half of all observations were related to health and safety, such as fire drills that were not conducted on a frequent enough basis. Just over 10% were related to management systems, such as the implementation of a conflict of interest register or the repetition of training in the Code of Conduct. A minor share was related to working hours, where the most common problem was that personnel worked more than permitted. The remaining small portion of observations were for disciplinary measures, discrimination and remuneration. There were no observations for child labor, forced labor or freedom of association.

The second type of internal audit is conducted within sales units and is based on Essity's Code of Conduct with different focus areas based on a risk assessment prior to the audit. In 2022, six audits of sales units were performed. The audits were carried out in Colombia, Chile, Costa Rica, France, Hungary and the Netherlands. The observations vary but included a need to revisit parts of training in the Code of Conduct, increase awareness of the whistleblower channels, improve internal control of marketing costs, gifts and business entertainment, increase awareness and compliance involving donations, improve follow-up of conflicts of interest, and ensure the approval process for participation in trade fairs or associations when competitors may also be participants. No observations were made in political or religious activities. An action program is in place and has commenced or will be carried out in 2023.

Read more about how Essity works with business ethics on page 54.

### Internal audits conducted of the Code of Conduct

	2022	2021	2020	2019
<b>In production</b>				
Number of audits	5	5	1	4
Number of observations	98	52	7	57
Average number of observations per audit	19.6	10.4	7.0	14.3
<b>In sales</b>				
Number of audits	6	4	1	3
Number of observations	67	28	8	28
Average number of observations per audit	11.2	7.0	8.0	9.3

### Ongoing anti-trust cases

The company was not subject to any anti-trust cases in 2022.

## H3. Responsible sourcing

Essity's target for responsible sourcing, which is based on our total purchasing spend excluding energy, is that 95% of the purchasing spend in 2025 should be from suppliers that share the company's values in accordance with our Global Supplier Standard. The outcome in 2022 was 90%, which was in line with the target for the year.

### Risk analysis

Essity has an established process to perform continuous risk assessments of the company's suppliers and sourcing categories. Approximately 54% of Essity's strategic suppliers for raw materials and finished products are located in Europe, 36% in North and South America and 10% in Asia and Africa. Many of the strategic suppliers' production facilities located in Asia and South America are part of large multinational corporations based in Europe and the USA. This is a conscious choice by Essity to reduce the social and ethical risks within the supply chain. Suppliers with manufacturing units located in high-risk countries, according to the Sedex definition, are examined with particular care using regular ethical third-party audits with a focus on health and safety, human rights, employment conditions and corruption. At the end of 2022, Essity had a total of 956 suppliers (932; 1.008) that share data via Sedex.

Certain materials, such as cotton and wood fiber, are considered to primarily have risks further down in the value chain. Essity takes further measures here, such as audits of sub-suppliers, or chooses certified raw materials that promote more sustainable extraction and production.

### Share of total purchase spend<sup>1)</sup> from suppliers who commit to complying with Essity's Global Supplier Standard

	2022	2021	2020	2019
Outcome	90%	88%	83%	77%

1) Excluding energy.

### Geographical distribution of strategic suppliers 2022



### Ethical audits conducted

As in 2021, travel restrictions related to the COVID-19 pandemic have again limited the number of audits conducted. During 2022, Essity evaluated the outcome from 45 ethical supplier audits, carried out in China, Brazil, Türkiye, India, South Africa, Mexico, Russia, Chile, Malaysia, Colombia, Sri Lanka, the Philippines and Indonesia. Of these audits, four were carried out by Essity using an independent audit firm. The other 41 ethical audits, which meet Essity's requirements, were carried out by other customers to suppliers and were approved by Essity.

Essity is informed within 24 hours in cases of critical observations. No agreements with strategic suppliers were terminated on the grounds of sustainability-related non-compliance in 2022.

### Ethical audits conducted

	2022	2021	2020	2019
Audits initiated by Essity <sup>1)</sup>	4	14	12	33
Audits initiated by customers <sup>2)</sup>	41	35	25	19
<b>Total number of audits</b>	<b>45</b>	<b>49</b>	<b>37</b>	<b>52</b>

1) Audits initiated by Essity were conducted by Essity's independent audit firm in accordance with SMETA's 4-pillar format.

2) Audits initiated by customers were carried out by other customers to suppliers and were approved by Essity.

Read more about how Essity works with responsible sourcing and human rights on page 54.





## H4. Sustainable innovations

Essity's target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2022, 68% of Essity's innovations yielded social and/or environmental improvements. This refers to the percentage of sales of innovations measured over 36 months. Variations between the years are a natural result of the product categories' various launches. Examples of sustainable innovations in 2022 included Tork Biobased Wiper, Libero Touch hybrid diaper, as well as leakproof apparel under such brands as Libresse, Bodyform, Saba, TOM Organic and TENA.

### Product assortment with lower carbon footprint

A product assortment life cycle assessment (LCA) encompasses most of the products sold in a region. This allows Essity to measure environmental performance for innovations and gradual improvements in the company's daily operations for entire product assortments over several years.

### Lower climate impact through the use of innovation

Products in Europe	Year	Carbon footprint reduction %
Incontinence Products	2008–2022	
TENA Flex		–22
TENA Pads and Liner		–43
TENA Comfort		–21
TENA Men		–26
TENA Pants and Underwear		–41
TENA Slip		–32
TENA Bed		–24
Feminine Care	2008–2019	
Feminine Ultra towels		–17
Baby Care	2008–2022	
Libero and Lotus open diaper		–31
Libero and Lotus pant diaper		–21
Professional Hygiene		
Tork toilet paper	2011–2022	–6
Tork napkins	2011–2019	–9
Tork paper hand towels	2011–2017	–18
Consumer Tissue		
Toilet paper	2011–2018	–10
Household towels	2011–2018	–19
Handkerchiefs and facial tissues	2011–2020	–8

The life cycle assessments performed by Essity have been subject to third-party reviews.  
Read more about how Essity works with sustainable innovations on page 57.

## H5. Customers and consumers

### Customer surveys

Essity conducts systematic customer and consumer follow-up, which includes external reports, independent surveys and global systems for feedback. Essity places high value on opportunities for direct customer contact. Customer feedback enables Essity to offer better products and services.

Every business unit has processes to investigate customer satisfaction. Essity also offers expertise and support for the development of operations in, for example, nursing homes and professional environments, where the company can help make a difference and create value for its customers and users.

The retail trade accounts for a significant part, 61%, of Essity's net sales. The company uses external comparison reports in which the largest retail chains assess their suppliers based on customer service, logistics, sales support, marketing and product development. Consumers who purchase retail products are followed up through general brand and product recognition surveys.

## H5. Customers and consumers, cont.

### Product safety

Essity ensures that all products are safe for their intended purpose throughout their entire life cycle. Essity's assortment includes antibacterial products such as hand disinfectants. These products contain ingredients on the California DTSC Candidate Chemicals List above 0.1% (w/w) in the formulation. These ingredients are added as biocidal actives essential to the products functionality. Antibacterial products are pivotal in Essity's assortment to offer products for all different application areas. The revenues from these products were below 0.1% of Essity's total sales. Essity sold no products containing substances on the REACH SVHC candidate list.

### Product quality

Essity strives to provide products that maintain a superior quality and that meet our customers' expectations. We utilize a proactive, customer-centered approach and we want every customer to have full confidence in our ability to deliver and "get it right the first time". To add value for our customers, we regularly conduct reviews of our operations to continually monitor our processes. Through ongoing training and development, team members are able to contribute to customer satisfaction on every level by identifying problems and developing solutions. As a result of this commitment, Essity did not ship any products that required the company to perform any mayor product recalls during 2022. A number of voluntary recalls were initiated by the company to rectify minor product deviations from specification.

Read more about how Essity works with product safety on page 53.

## H6. Community relations

Essity invested approximately SEK 37m (38; 49) in over 400 projects in 2022. Most of the projects were related to hygiene and health, to which company employees also allocate a large number of working hours (including staff management). Essity's steering document for community relations states that Essity shall be politically and religiously neutral. The company must not make payments or product donations to political parties or candidates, or their institutions, agencies or representatives. Essity did not support any organizations or projects with political or religious aims in 2022.

Read more about Essity's role in society and community relations on page 55.

### Community relations (SEKm)

	2022	2021	2020	2019
Charitable donations	29.3	28.6	39.8	24.8
Commercial initiatives	2.1	4.9	1.9	9.5
Community investments	5.8	4.3	7.5	4.1
<b>Total</b>	<b>37.2</b>	<b>37.8</b>	<b>49.2</b>	<b>38.2</b>
of which cash funds	14.0	21.8	21.4	17.8
of which products	23.2	16.0	27.7	20.4

## H7. Fiber sourcing

Essity's target is that all raw materials derived from wood-based fresh fiber in the company's products and packaging are to be certified in accordance with FSC or PEFC. All wood-based fresh fiber must fulfill the FSC's Controlled Wood standard, as a minimum, to be eligible for purchasing. Target fulfillment in 2022 was 97% (98; 95). The decline of 1% in 2022 was a consequence of the decision by the FSC and PEFC certification systems to withdraw their systems for traceability in Russia and Belarus.

Renewable raw materials, wood-based fresh fiber and recycled fiber, account for the largest share of the total volume of material in Essity's products. In 2022, Essity used 3.3 million tons of wood-based fresh fiber and 1.9 million tons of recycled fiber. Wood-based fresh fiber mainly comprises pulp, 99%, and the remainder comprises packaging, externally sourced mother reels and products manufactured by third parties.

## H7. Fiber sourcing, cont.

### Fiber use, pulp and recycled paper

	2022	2021	2020	2019	2018
<b>Fiber used, million tons</b>	<b>5.2</b>	<b>5.0</b>	<b>5.1</b>	<b>5.2</b>	<b>5.1</b>
of which, pulp consumption	3.3	3.2	3.2	3.1	3.0
share of total fiber use, %	64	64	63	59	60
of which, recovered paper consumption	1.9	1.8	1.9	2.1	2.1
share of total fiber use, %	36	36	37	41	40

### Fiber sourcing wood-based fresh fiber by certification<sup>1)</sup>, %

	2022	2021	2020	2019	2018
FSC	59	63	59	57	48
PEFC	38	35	36	22	29
FSC Controlled Wood standard <sup>2)</sup>	3	2	5	21	23
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Target fulfillment</b>	<b>97</b>	<b>98</b>	<b>95</b>	<b>79</b>	<b>77</b>

1) The distribution applies to sourcing by wholly owned companies.

2) Includes sourcing of fresh fiber to eight of Essity's facilities in 2020–2022 as FSC Controlled Wood and evaluated against the standard for Controlled Wood (in accordance with Essity's policy). Due to the COVID-19 pandemic, the facilities have not yet implemented FSC Chain of Custody at the end of 2022. A minor share of mother reels and packaging purchased in 2022 from suppliers was not FSC Controlled Wood.

Despite the continued adverse impact of the COVID-19 pandemic, Essity restarted on-site audits of the company's sites in 2022. This included the Essity scope extension audits to include the Asaleo and Familia sites into the Essity FSC multi-site certificate. In 2022, Essity continued to utilize recycled fiber and added more alternative fibers to the fiber mix. During 2022, Essity worked with both Australian hygiene company Asaleo Care the Latin American hygiene company Familia to introduce the company's fiber policy and sourcing targets, and update and change mother reel and pulp contracts to move toward 100% certified purchases. Essity also continued to add new questions to the annual supplier surveys for pulp. In 2022, Essity repeated the requirements for wood and fiber traceability from every supplying pulp mill and continued its commitment to promote forest certification via the Consumer Goods Forum Forest Positive coalition. Finally, Essity continued its discussions with suppliers about Science Based Targets adding the new SBT FLAG requirements to the questions. (Forest, Land and Agriculture, FLAG).

Read more about how Essity works with fiber and biodiversity on page 56.

## H8. Water

Essity's reporting of water withdrawal states totals for surface water, groundwater and municipal water systems. Surface water, which represents the largest share of water withdrawal, as a general rule must be purified from dissolved and solid content before use in the production process. Most of Essity's water is used to transport fibers during production processes. The remainder is mainly used as cooling water.

Essity's water discharge is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. Process water is treated using mechanical and biological treatment systems before it is discharged.

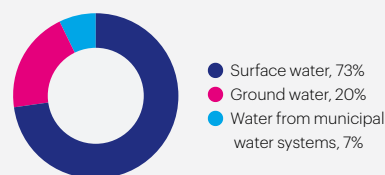
In 2022, six of Essity's wholly owned paper mills were located in water-stressed areas with the risk of a water shortage. The sites accounted for 7% of Essity's total water withdrawal, distributed between 34% from surface sources, 45% from groundwater and the remainder from recycled water or from municipal water systems. Total water withdrawal from these facilities in 2022 was 7.2 million m<sup>3</sup>, water discharges 5.2 million m<sup>3</sup> and water consumption 2 million m<sup>3</sup>.

Any environmental incidents are registered in a central incident-reporting system. In 2022, no incidents relating to temporary exceedances of permitted limit values for waste water were registered. No incident was of such a magnitude that it posed a threat to an emissions permit.

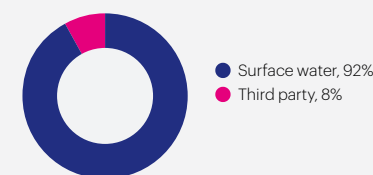
Read more about how Essity works with water on page 60.

## H8. Water, cont.

### Source of water withdrawal 2022



### Recipient of discharged water 2022



### Water

Water, Mm <sup>3</sup>	2022	2021	2020	2019	2018
<b>Water withdrawal</b>	<b>99</b>	<b>95</b>	<b>94</b>	<b>106</b>	<b>104</b>
of surface water	73	71	69	79	77
of which ground water	19	17	18	20	19
of which municipal water systems	7	7	7	7	8
of which water to a third party	0	0	0	0	0
<b>Water discharge</b>	<b>89</b>	<b>85</b>	<b>84</b>	<b>98</b>	<b>95</b>
of surface water	82	78	78	90	
of which water to a third party	7	7	6	8	
of which ground water	0	0	0	0	
<b>Water consumption<sup>1)</sup></b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>9</b>

Water emissions, tons	2022	2021	2020	2019	2018
COD	7,257	6,730	6,527	6,760	7,049
BOD	1014	942	858	813	851
Suspended solids	1,294	1,000	856	912	1,001
AOX	4	6	4	3	3
P	31	26	33	39	44
N	286	127	151	187	199

1) Water consumption is water withdrawn less water discharged.

## H9. Circular packaging and production waste

The packaging target for 2025 is that Essity is striving for 100% recyclability and 85% renewable or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands. Most of Essity's packaging comprises corrugated board and board for paper packaging and bags and flexible plastic film from polyethylene (PE) or polypropylene (PP) for plastic packaging. In 2022, Essity's packaging volume for its brands amounted to 173,200 tons (172,800; 171,000).

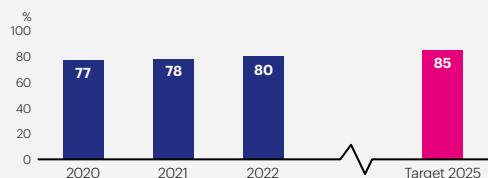
The proportion of renewable or recycled materials was 80% (78; 77). 85% (81; 83) was recyclable. For plastic packaging, which accounts for about 23% of total packaging volume, 12% (7; 3) was manufactured from renewable or recycled materials. The proportion of recovered plastic was 10% (5; 2). The proportion of recyclable plastic packaging was 72% (73; 77).

In 2022, Essity assessed the technical recyclability of a large portion of the company's packaging. Essity has thereby improved packaging design to facilitate recycling using existing infrastructures. Essity will continue to assess the technical recyclability of the remaining packaging until 2025. The primary fossil-based plastic in the company's plastic packaging can be replaced with renewable plastic, recycled plastic or paper. When Essity develops new packaging, it assesses function, safety and environmental performance.

Read more about how Essity works with packaging on page 58.

## H9. Circular packaging and production waste, cont.

### Share of packaging manufactured from renewable or recycled material



### Share of of technically recyclable packaging



### Waste in production

Essity's target is that all production waste will be subject to material and energy recovery by 2030. By reducing the amount of production waste sent to landfill and instead recycling the waste or extracting energy from it, greenhouse gas emissions can be reduced, thereby helping Essity to achieve its Science Based Targets (Scope 3). In 2022, the amount of waste increased in overall terms. The recycling rate from Essity's production facilities varies due to differences in national legislation. Volume changes in 2022 had a negative impact on the mix of material and energy recovery (~1%).

In Essity's production process, particularly when recycled fiber is used as input goods, waste is generated in the form of ash, sludge, organic waste and plastic. The production sites work to reduce waste and to find alternative solutions for their waste. Waste that cannot be recovered, is sent to landfill or composted. In 2022, 62% (64; 65) of Essity's waste was recovered. The target encompasses wholly owned companies. A small proportion, 0.2% or 3,000 tons, is hazardous waste, which is primarily waste oil, but also includes organic solvents, batteries and strip lights.

### Production waste, ktons<sup>1)</sup>

	Essity – wholly owned companies				
	2022	2021	2020 <sup>2)</sup>	2019 <sup>2)</sup>	2018 <sup>2)</sup>
<b>Waste management</b>	<b>569</b>	<b>516</b>	<b>496</b>	<b>575</b>	<b>668</b>
Non-hazardous waste					
landfill	557	507	488	539	640
incineration without energy recovery	2	6	5	22	16
other waste management	9	3	2	6	10
Hazardous waste					
landfill	0	0	0	7	1
incineration without energy recovery	0	0	0	0	0
other waste management	1	1	1	0	1
<b>Waste recycling</b>	<b>949</b>	<b>932</b>	<b>998</b>	<b>1,104</b>	<b>987</b>
Non-hazardous waste					
incineration with energy recovery	238	208	205	247	243
recycling	383	343	341	386	409
other waste recycling	327	379	450	462	333
Hazardous waste					
incineration with energy recovery	0	0	0	0	0
recycling	2	2	2	6	1
other waste recycling	0	1	0	2	1
<b>Total waste</b>	<b>1,518</b>	<b>1,448</b>	<b>1,495</b>	<b>1,678</b>	<b>1,655</b>
Waste management, %	37	36	33	34	40
Waste recycling, %	63	64	67	66	60

1) Data in the table represents the entire Essity Group and is therefore not equivalent to boundaries in Essity's production waste target.  
2) Numbers are restated related to the inclusion of Familia and Asaleo.

### Essity's production waste target<sup>1)</sup>

	2022	2021	2020	2019	2018
Subject to material or energy recovery, %	62	64	65	63	60

1) The target refers to wholly owned companies.

## H10. Energy and emissions to air: Scope 1 and 2

Energy efficiency and emissions reductions have been a major focus for Essity for many years. Essity's production facilities for tissue products had a program to reduce CO<sub>2</sub> emissions per ton of tissue products produced already in place in 2005. The reduction in CO<sub>2</sub> emissions per ton produced between 2005 and 2022 was 23%.

### Energy utilization

Energy efficiency, new technology and the increased use of renewable energy are required to achieve Essity's stated targets. Energy use calculations include purchased energy, use of fuel and biomass and electricity generated on site. The energy generated is used in production. The surplus heat created is mainly used by Essity. A minor share is sold externally. The majority of Essity's energy, both fuel and electricity, is used in tissue production. The production of products in the Incontinence Products, Baby Care and Feminine Care categories primarily uses electricity and European facilities purchase certified renewable electricity with a certificate for guarantees of origin since 2020.

Essity's energy efficiency program will remain a cornerstone of Essity's work to reduce energy use and emissions and is strongly linked to its commitment to Science Based Targets.

### Greenhouse gas emissions

Essity's greenhouse gas emissions are divided into three different Scopes depending on origin. Scope 1 and 2 are directly linked to Essity's production facilities and include direct emissions from fuel consumption and indirect emissions from the use of purchased energy. Scope 3 reports indirect emissions in Essity's value chain (see separate Note, HT1).

The reported data is based on fuel use with associated emission factors. In Scope 2, data for emissions from electricity is calculated using a country's emission factors, while data for emissions from purchased steam are calculated on the basis of the fuel used by suppliers to generate the steam.

### The EU Emissions Trading Scheme (EU ETS) and the UK Emissions Trading Scheme (UK ETS)

Essity had 17 production facilities included in EU ETS 2022 and 4 in UK ETS 2022. Essity's operations have a deficit of emission allowances in both the fourth phase of EU ETS (2021–2025) and the first phase of UK ETS (2021–2025). The deficit averages approximately 0.3 million tons per year in EU ETS and approximately 0.04 million tons per year in UK ETS for the period. The average market price for emission allowances in 2022 was about EUR 80.8 (53.4; 24.8) per ton in EU ETS and GBP 77.4 (55.5) per ton in UK ETS. Essity purchased 228,000 (210,000; 225,000) EU emission allowances and 40,000 (30,500) UK emission allowances to cover the annual deficit.

## H10. Energy and emissions to air: Scope 1 and 2, cont.

### Energy and air emissions (Scope 1 and 2)

	2022	2021	2020	2019	2018
<b>Production (ktons)</b>	<b>3,710</b>	<b>3,647</b>	<b>3,754</b>	<b>3,849</b>	<b>3,897</b>
<b>Total electricity, purchased (GWh)</b>	<b>4,394</b>	<b>4,275</b>	<b>4,296</b>	<b>4,459</b>	<b>4,532</b>
Renewable electricity purchased	378	345	402	183	119
Non-renewable electricity purchased	4,016	3,930	3,894	4,276	4,413
<b>Steam/heat purchased (GWh)</b>	<b>214</b>	<b>232</b>	<b>252</b>	<b>338</b>	<b>337</b>
Steam/heat renewable	87	90	96	111	90
Geothermal steam	68	75	70	74	72
Steam/heat non-renewable	59	67	86	153	175
<b>Total fuels (GWh)</b>	<b>8,008</b>	<b>7,977</b>	<b>8,094</b>	<b>8,799</b>	<b>8,878</b>
Biofuels	1,181	1,178	1,129	1,336	1,376
Of which					
Wood fuels	188	197	161	339	372
Liquor	862	901	884	901	912
Other biofuels	131	80	84	96	92
Fossil fuels GWh	6,828	6,799	6,965	7,463	7,502
Of which					
Natural gas	6,665	6,510	6,674	7,092	7,128
Coal	6	159	164	237	247
Oil	149	123	123	127	121
Other fossil fuels	8	7	4	7	6
<b>Total energy (gross)<sup>1)</sup> (GWh)</b>	<b>12,617</b>	<b>12,484</b>	<b>12,642</b>	<b>13,596</b>	<b>13,747</b>
Total renewable energy gross	1,713	1,688	1,697	1,704	1,657
Total non-renewable energy gross	10,904	10,796	10,945	11,892	12,090
<b>Energy sold (GWh)</b>	<b>251</b>	<b>249</b>	<b>248</b>	<b>252</b>	<b>289</b>
Renewable energy sold	135	166	167	155	179
Non-renewable energy sold	116	83	81	97	110
<b>Total energy (net) (GWh)</b>	<b>12,366</b>	<b>12,235</b>	<b>12,394</b>	<b>13,344</b>	<b>13,458</b>
Total renewable energy	1,578	1,522	1,530	1,549	1,478
Total non-renewable energy	10,788	10,713	10,864	11,795	11,980
<b>Energy intensity (MWh/t)</b>	<b>3.3</b>	<b>3.4</b>	<b>3.3</b>	<b>3.5</b>	<b>3.5</b>
<b>GHG emissions (ktons)</b>					
Scope 1, CO <sub>2</sub> e	1,395	1,410	1,445	1,537	1,544
Scope 2, CO <sub>2</sub> e (location-based)	1,254	1,216	1,217	1,292	1,408
Prior year adjustment <sup>2)</sup>		115	115	120	12
Scope 2, CO <sub>2</sub> e (market-based)	1,499	1,462	1,436	1,661	1,838
Prior year adjustment <sup>2)</sup>		54	51	1	9
<b>Biogenic CO<sub>2</sub> emissions, ktons</b>					
Biogenic CO <sub>2</sub> from biofuel use	469	475	455	470	463
Biogenic CO <sub>2</sub> from purchased steam	37	39	38	42	34

1) Total energy (gross) less energy sold = total energy net.

2) Data from the preceding year has been restated to take in to consideration changed emission factors.

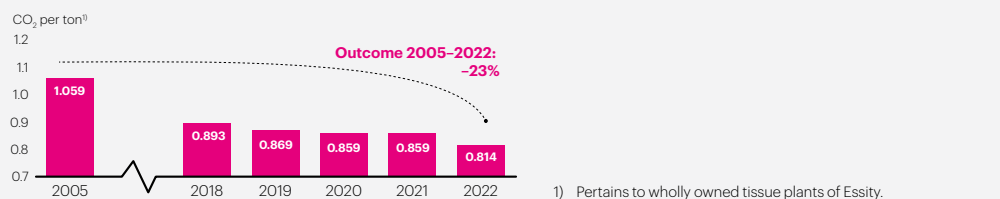
## H10. Energy and emissions to air: Scope 1 and 2, cont.

### Other air emissions<sup>1)</sup>, tons

	2022	2021	2020	2019	2018
NOx as NO <sub>2</sub>	1,488	1,631	1,771	1,530	1,770
SOx	189	463	488	586	676
Particulate matter	96	120	104	128	122

1) Other air emissions from use of fuel in production facilities include nitrogen oxides and sulfur oxides (NOx and SOx).

### CO<sub>2</sub> intensity



## H11. Climate impact and Science Based Targets

Essity's target for 2030, with 2016 as the reference year, is to reduce absolute greenhouse gas emissions for Scope 1, 2 and 3 and is approved by the Science Based Targets initiative (SBTi) since 2018. The target applies to wholly owned companies.

### Scope 1 and 2

In terms of fuel use within the company (Scope 1) and purchased electricity and steam (Scope 2), Essity has raised its ambitions to reduce greenhouse gas emissions by 35% by 2030 compared with 2016 in accordance with SBTi's target of well-below 2 degrees (WB2D). The outcome for 2022 was -18% (-15; -11).

### Scope 3

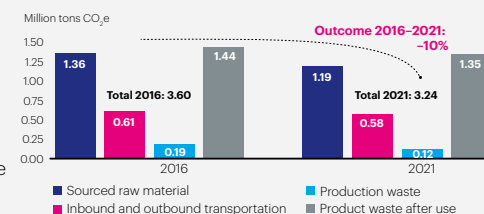
Essity has undertaken to reduce greenhouse gas emissions by 18% within Science Based Targets' Scope 3, which applies to the most important emission categories from purchased raw materials, incoming and outgoing shipments, waste from the company's own production and product waste after use. The categories represent the majority of total Scope 3 emissions in the value chain. Essity calculates Scope 3 emissions by using the company's own data from purchased, shipped, produced and sold volumes, known as primary data. The emission factors used to calculate these emissions are obtained through third-party information from suppliers and service providers in manufacturing, transport and waste management systems. To ensure that Essity has complete and reliable data, Scope 3 emissions are reported with a one-year delay, including emissions from recently acquired companies. The reason earlier data is adjusted is driven by structural changes, such as acquisitions and divestments, or improved or updated methodology or updated data from third-party suppliers.

### Restatement of historical and base year for Scope 3

In 2021, Medical was included in Scope 3 for purchased raw materials, product waste and transportation. To ensure consistency and comparability, figures were restated for previous years back to the base year of 2016.

A larger adjustment in the calculation of emissions was made for outgoing shipments following the introduction of a system-based automated calculation for Europe, North America and Mexico. This improved method led to higher emissions. Calculations for previous years, including the base year of 2016, were also estimated on the basis of Essity's own data from delivered volumes and took into account the improvements in fuel efficiency since 2016 in the transport sector. The outcome for 2021 was -10% (-9; -4) for Scope 3.

### Scope 3 emissions, Science Based Targets, results



## H11. Climate impact and Science Based Targets, cont.

### Air emissions: Science Based Targets, ktons

	2022	2021	2020	2019	2016
Scope 1, CO <sub>2</sub> e	1,395	1,410	1,445	1,537	1,558
Scope 2, CO <sub>2</sub> e <sup>1)</sup>	1,209	1,172	1,174	1,251	1602
Prior year adjustment <sup>2)</sup>		115	116	120	0
Total Scope 1 and 2, CO <sub>2</sub> e	2,604	2,582	2,619	2,788	3,160
Scope 3, CO <sub>2</sub> e		3,241	3,263	3,410	3,595
Prior year adjustment			172	148	209

1) Derived from location-based emission factors.

2) Acquisitions/divestments, updates of emission factors for Scope 2 (location-based) according to the GHG protocol.

Read more about how Essity works with greenhouse gas emissions and Science Based Targets on pages 57–58.

## H12. Employees

	2022	2021 <sup>2)</sup>	2020	2019	2018
<b>Personnel data<sup>1)</sup></b>					
Average number of employees	47,572	46,275	46,084	45,980	47,222
of which companies fully integrated into HR platform	32,947	28,683	28,394	28,824	29,659
Permanent staff/temporary employees, % <sup>3)</sup>	82/18	81/19	81/19	82/18	81/19
Full-time/part-time, %	97/3	96/4	97/3	96/4	97/3
Total number of part-time staff	1,494	1,642	1,194	1,614	1,052
of whom women	978	968	875	1,210	980
<b>Staff mobility</b>					
Number of employees who joined the Group	9,380	9,278	6,891	5,516	6,945
of whom, through acquisitions	425	677	190	23	36
Number of employees who left the Group	7,625	7,256	7,402	6,485	7,815
due to divestments	–	20	945 <sup>4)</sup>	109	–
due to restructuring	243	105	260	345	544
due to retirement	513	468	443	524	383
of which temporary employees	756	959	1,939	1,420	1,799
Personnel turnover, excluding restructuring, retirements, divestments, temporary employees, %	13	12	8	9	11
of which companies fully integrated into HR platform, %	11	9	5	6	6

1) Relates to average number of part-time and full-time employees during the year and calculated as an average over five quarters.

2) Companies acquired in December 2021 (AquaCast Liner and Hydrofera) are not included in the 2021 numbers.

3) Fixed-term employees in China with three or six-year contracts are classified as temporary employees.

4) Since the divestment of Sancellia Tunisia occurred at the end of the year, these are included in the "average number of employees" in 2020.

### Diversity, equity and inclusion

Improving in diversity, equity and inclusion (DEI) builds up our competitiveness as a business while also reinforcing our Beliefs and Behaviors and our Purpose. In 2022, Essity launched a global DEI strategy and roadmap to help deliver on our DEI goals, launched in 2021. During the year, we commenced a journey to build up managers' knowledge and skills in inclusive leadership, enabling them to shape and reinforce an inclusive corporate culture for all. During the year, our global gender target of a 40/60 gender ratio at all leadership levels was translated into business area and Group-wide targets to drive improvement. The target is reported at an aggregate outcome level for the three management levels and the outcome for 2022 was 32/68%.

	2022	2021	2020	2019	2018
<b>Gender</b>					
Women/men, % <sup>1)</sup>	35/65	35/65	35/65	34/66	34/66
Women (Board members elected by the AGM)	4 (10)	4 (9)	5 (9)	5 (9)	5 (9)
Women (Board members appointed by trade unions)	1 (3)	1 (3)	1 (3)	1 (3)	1 (3)
Women (total number Board members)	5 (13)	5 (12)	6 (12)	6 (12)	6 (12)
Women (total number Executive Management Team)	4 (12)	4 (13)	3 (12)	3 (12)	3 (12)
Women (total number senior management) <sup>2)</sup>	38 (109)	35 (104)	30 (98)	30 (98)	25 (101)
Women (total number middle management) <sup>2)</sup>	209 (666)	195 (622)	177 (607)	163 (580)	177 (641)
Gender distribution at management levels, % (total for Executive Management Team, senior management and middle management) <sup>2)</sup>	32/68	32/68	29/71	28/72	27/73

### Age, %

Employees under 20 years of age	1	1	1	1	1
21–30 years	19	18	18	22	21
31–40 years	32	33	34	32	33
41–50 years	26	26	26	25	25
51–60 years	18	18	18	17	17
Employees over 60 years of age	4	4	3	3	3

### Nationalities<sup>2)</sup>

Total number of nationalities	130	124	117	112	105
Number of nationalities in Executive Management Team (number of members)	6 (12)	6 (13)	6 (12)	6 (12)	6 (12)
Number of nationalities in senior management (number of senior managers)	19 (109)	19 (104)	18 (98)	20 (98)	17 (101)
Number of nationalities in middle management (number of middle managers)	48 (666)	44 (622)	44 (607)	39 (580)	39 (641)

1) Essity uses four gender alternatives in our personnel data: women, men, non-binary and gender-not-declared. Considering that the size of the non-binary and gender-not-declared groups is negligible, these are not presented separately.

2) Refers to companies fully integrated into the HR platform.

### Salary

No unjustified pay differences should exist due to gender, age or background. This is regularly monitored and any unjustified differences are addressed on an annual basis.

Average combined salary, %	2022 <sup>1)</sup>	2021	2020	2019	2018 <sup>2)</sup>
Women's median wage compared with men's (men's wage 100%)	94	94	93	95	96
Women's median wage compared with men's in senior management (men's wage 100%)	81	80	78	81	81
Women's median wage compared with men's in middle management (men's wage 100%)	91	91	92	92	92

1) Applies to full-time salaries (December 2022) for active employees from the countries where Essity has most employees (>1,000). Salaries to the CEO, Executive Vice President and CFO are excluded. Relates only to companies fully integrated into HR platform. Russia is not included.

2) The number does not include USA and Mexico, since these are only included as of 2019.

The total pay difference between men and women is because Essity has more men at higher management levels. Essity is working so gender distribution at management levels is to be within the interval 40/60% no later than 2025. As per Essity's Remuneration report 2022 page 158, table 4, the ratio of total remuneration for the President and CEO divided by the average remuneration per employee in Essity Aktiebolag (publ) excluding senior executives was 24.



## H12. Employees, cont.

### Performance and individual development

Having skilled and engaged employees is key to Essity's success. An important foundation is that all employees have individual goals and development plans. Employees and line managers are expected to regularly follow up goals and ensure adequate support and development. Development activities are identified in dialogue on the basis of current work and future aspirations and include, for instance, leadership, functional skills and "Beliefs & Behaviors" – our set of values. Leadership and specific Functional Academies ensure skills evolution is well monitored and supported. A global learning management platform encompasses shared processes and learnings for the entire company. Essity is implementing the system in the company's business groups and units on an ongoing basis. The table below reflects most of the development offered by the company to its employees by this platform. Certain local instructions, training and "learning by doing" of employees at production facilities are not included as these are tracked at the specific sites.

Number of internal training hours <sup>1)</sup> (thousand)	2022	2021	2020	2019	2018
Total number of internal training sessions	215.9	210.0	166.8	114.0	81.2
of which digital training sessions <sup>2)</sup>	104.3	89.6	93.6	39.5	23.8
of which virtual sessions	77.4	92.3	40.9	1.9	0.9
of which physical training sessions	34.2	28.2	32.3	72.7	56.5
The number of training hours per employee	7	7	6	4	3

1) Refers to companies fully integrated into the HR platform.

2) Includes initiatives outside of the global learning management platform.

Investments in skills-enhancement activities	2022	2021	2020	2019	2018
Total, SEKm	155	136	115	117	141
per employee, SEK	3,249	2,940	2,500	2,500	3,000
Value added (SEK) per employee	783	775	826	800	661
Return on human capital	1.34	1.58	1.73	1.61	1.50

Internally appointed vacancies <sup>1)</sup> , %	2022	2021	2020	2019	2018
Vacancies appointed through internal candidates	20	20	23	23	28

1) Refers to companies fully integrated into the HR platform.

### Employee goals and engagement

Essity's winning culture is underpinned by our purpose of breaking barriers to well-being as well as our Beliefs & Behaviors. Our culture is also reinforced by our performance management practice, through which employees receive individual goals and development plans. Employee experience and engagement is tracked and continuously worked on, through bi-annual pulse surveys and team conversations.

Culture and development <sup>1)</sup> , %	2022	2021	Long-term goals
Individual goals	62	57	100
of which white-collar employees	87	90	100
Individual development plans <sup>2)</sup>	42	42	100
of which white-collar employees	70	78	100
Employee engagement	77	79	above global benchmark

1) Refers to companies fully integrated into the HR platform.

2) Individual goals are measured on a continuous basis.

Employee relations <sup>1)</sup>	2022 <sup>2)</sup>	2021	2020	2019	2018
Percentage of Essity's employees covered by collective bargaining agreements	60	67	68	68	63

1) Refers to companies fully integrated into the HR platform.

2) The change in 2022 compared with 2021 is due to additional Latin American countries being included in the HR platform in 2022. These countries have a relatively low number of employees covered by collective bargaining agreements.

Read more about how Essity works with employees on page 51–53.

## H13. Health and safety

Essity's health and safety policy guides the company's journey toward a risk-free safety culture. Since 2021, the company measures the Total Recordable Injury Frequency Rate (TRIFR) to highlight accidents that require medical treatment. This is supported by Essity's Group target to reduce TRIFR by 75% by 2025 compared with 2019 and is to continue to conduct purposeful and systematic work with safety issues in all of Essity's production facilities. The term "potential consequences" is used to identify potential incidents that, in a worst-case scenario, could result in permanent disability or fatality. This enables global action and a fast-learning/preventive culture in the company's production facilities.

The target outcome for 2022 was a decrease of 39% compared with 2019. The figures pertain to wholly owned companies of Essity, including Vinda's production facilities in Malaysia and Taiwan and exclude sales and administrative offices.

Essity's continues its intensive work to reduce risks through an intensive application of the company's risk assessments, to prioritize actions and focus areas. During 2022, there was an increased focus and attention on machine safety and contractors' management. Despite this, one contractor fatality occurred in one of the company's production facilities.

Accidents <sup>1)</sup>	2022	2021	2020	2019	2018
Fatalities, employees (F)	–	–	–	–	–
Lost time accidents (LTA)	163	152	133	166	195
Restricted work cases (RWC)	23	12	4	11	19
Medical treatment cases (MTC)	32	37	188	209	
<b>Total recordable incidents (TRI)</b>	<b>218</b>	<b>201</b>	<b>325</b>	<b>386</b>	
<b>Total recordable incident rate (TRI-R) (TRI/1,000,000 WH)</b>	<b>4.3</b>	<b>4.1</b>	<b>6.4</b>	<b>7.1</b>	
Total recordable incident rate, IR (TRI-IR) (TRI/200,000 WH)	0.9	0.8	1.3	1.4	
Lost time accident frequency rate (LTA-FR) (LTA/1,000,000 WH)	3.7	3.3	2.7	3.3	3.8
Lost time incident rate (LTA-IR) (LTA/200,000 WH)	0.7	0.7	0.5	0.7	0.8
Contractor fatalities (CF)	1	2	0	0	0
Contractor lost time accidents, CLTA	33	35	30	34	50
Zero recordable incident sites (based on TRI)	24	25	14	20	
Number of sites included in reporting	88	85	81	86	85
Working hours, (1,000,000)	50.3	49.6	50.4	54.1	56.7

1) Pertains to all wholly owned production facilities of Essity and Vinda's production facilities in Malaysia and Taiwan, excluding sales and administrative offices.

Sickness absence	2022	2021	2020	2019	2018
Sickness absence, % <sup>1)</sup>	6.1	5.2	5.3	5.2	4.9
Scope of reporting, % of companies integrated into Essity's HR platform	49	54	56	54	55

1) Sickness absence is calculated using the number of hours absent divided by the number of work hours.

Read more about how Essity works with health and safety on page 53.

## H14. Certifications

Reliable management systems, which are certified by a third party, play an important role in Essity's sustainability work. Essity uses ISO 14001 and EMAS (the EU's Eco Management and Audit Scheme) as certified environmental management systems. A large number of production units are certified in accordance with ISO and/or EMAS. ISO 9001 or ISO 13485 for medical technical classification is the most important quality management system used by Essity.

The company implements the international standard ISO 45001 (Occupational Health and Safety Assessment Series) to ensure that uniform processes are used within the entire company and that Essity's units continuously strive to improve workplace-related health and safety. Essity intends to implement ISO45001 and ISO4001 certifications at Group level over the next few years.

### Certified volumes, Essity's main sites<sup>1)</sup>, %

	2022	2021	2020	2019	2018
ISO 9001/ISO 13485	76	78	77	80	77
ISO 14001	77	82	81	75	80
ISO 45001/OHSAS 18001	78	84	79	80	71

1) A main site is a production facility that is wholly owned by Essity and that has at least 100 employees. In 2022, the companies Asaleo Care and Familia were integrated into the report.

## H15. Taxonomy tables

As part of the EU's green growth strategy, the EU taxonomy came into effect in 2020. This is a classification tool for environmentally sustainable investments. Essity has analyzed its operations in order to comply with current and future disclosure requirements. The company's sales (turnover), capital expenditure and operating expenditure are to be reported in accordance with Nomenclature of Economic Activities (NACE) codes. The EU is yet to determine which economic activities are to be deemed environmentally sustainable under each NACE code. The same applies to

additional subordinate economic activities identified in the analysis of Essity's sales, capital expenditure and operating expenditure. Most of Essity's economic operations can be allocated to the pulp and paper industry. Essity's sales, capital expenditure and operating expenditure are therefore not covered by the taxonomy directive for this reporting period.

### Proportion of sales from products or services associated with economic activities that are aligned with the Taxonomy – disclosures that apply to 2022

Economic activities (1)	Code/codes (2)	Absolute sales (3)	Proportion of sales (4)	Substantial contribution criteria					DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of sales, year 2022 (18)	Taxonomy-aligned proportion of sales, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)					
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)			-	0%															
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			-	0%															
Total (A.1 + A.2)			-	0%	0%	0%	0%	0%	0%							0%	0%	0%	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Sales of Taxonomy-Non-eligible activities (B)		156,173	100%																
Total (A + B)		156,173	100%																

Refer to Essity's net sales in the income statement on page 74.

## H15. Taxonomy tables, cont.

### Proportion of capital expenditure from products or services associated with economic activities that are aligned with the Taxonomy – disclosures that apply to 2022

Economic activities (1)	Code/codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria					DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of capital expenditure, year 2022 (18)	Taxonomy-aligned proportion of capital expenditure, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)						Biodiversity and ecosystems (16)
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Capital expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	0%																	
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Capital expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	0%																	
Total (A.1 + A.2)		-	0%	0%	0%	0%	0%	0%	0%								0%	0%	0%	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capital expenditure of Taxonomy-Non-eligible activities (B)		8,040	100%																	
Total (A + B)		8,040	100%																	

The key figure for capital expenditure comprises investments in intangible assets of SEK 638m, in property, plant and equipment of SEK 6,293m and additions to right-of-use assets of SEK 1,109m. Refer to Notes D1, D2 and G1.

### Proportion of operating expenditure from products or services associated with economic activities that are aligned with the Taxonomy – disclosures that apply to 2022

Economic activities (1)	Code/codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria					DNSH criteria (Does Not Significantly Harm)					Minimum safeguards (17)	Taxonomy-aligned proportion of capital expenditure, year 2022 (18)	Taxonomy-aligned proportion of capital expenditure, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)						Pollution (15)
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Operating expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	0%																
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Operating expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	0%																
Total (A.1 + A.2)		-	0%	0%	0%	0%	0%	0%	0%							0%	0%	0%	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Operating expenditure of Taxonomy-Non-eligible activities (B)		4,326	100%																
Total (A + B)		4,326	100%																

Applies to costs for research and development, short-term leases where the underlying asset has a low value.



## PC16. Proposed disposition of earnings

### Annual accounts 2022

#### Disposition of earnings Essity Aktiebolag (publ)

Non-restricted equity in the Parent company:

retained earnings	78,642,176,803
net loss for the year	-2,396,330,939
<b>Total</b>	<b>76,245,845,864</b>

The Board of Directors and the President propose:

to be distributed to shareholders, a dividend of SEK 7.25 per share	5,091,983,045
to be carried forward	71,153,862,819 <sup>1)</sup>
<b>Total</b>	<b>76,245,845,864</b>

1) The company's equity would have been SEK 242,191,577 lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

The Board of Directors and President declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the EU and that disclosures herein give a true and fair view of the Group's position and results of operations. The Parent company's annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's position and results of operations. The statutory Board of Directors' Report provides a fair review of the Parent company's and Group's operations, position and results of operations and describes material risks and uncertainties facing the Parent company and the companies included in the Group.

Stockholm, February 16, 2023

Ewa Björling  
Board member

Pär Boman  
Chairman of the Board

Annemarie Gardshol  
Board member

Magnus Groth  
President, CEO and Board member

Bjørn Gulden  
Board member

Susanna Lind  
Board member,  
employee representative

Torbjörn Lööf  
Board member

Bert Nordberg  
Board member

Louise Svanberg  
Board member

Örjan Svensson  
Board member,  
employee representative

Lars Rebien Sørensen  
Board member

Barbara Milian Thoralfsson  
Board member

Niclas Thulin  
Board member,  
employee representative

Our audit report was submitted on February 28, 2023  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant  
Auditor in charge

# Auditor's report

To the general meeting of the shareholders of Essity Aktiebolag (publ), corporate identity number 556325-5511

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Essity Aktiebolag (publ) except for the corporate governance statement on pages 62–71 and the statutory sustainability report on pages 40–61 and 138–147 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 8–10 and 27–152 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 62–71 and the statutory sustainability report on pages 40–61 and 138–147. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Valuation of goodwill and other intangibles assets (trademarks)

Description	How our audit addressed this key audit matter
The value of goodwill and other intangibles (trade-marks) with an indefinite useful life as of 31 December 2022 amounted to 61.9 billion SEK. The company performs annual impairment tests as well as whenever impairment indicators have been identified. The recoverable amount for each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions in these calculations include future growth rates, gross profit development and the discount rate applied and are presented in Note D1 ("Intangible assets"). An impairment test is a complex process and contains a high degree of judgment regarding future cash flows and other assumptions, not least because it is based on estimates of how the company's business will be affected by future market developments and by other economic events. In addition, the underlying calculations are in themselves complex. Therefore, we have assessed valuation of goodwill and other intangibles assets with an indefinite useful life to be a key audit matter.	In our audit we have evaluated and reviewed key assumptions, the application of recognized valuation practices, discount rate (referred to as WACC – "Weighted Average Cost of Capital") and other source data that the company has applied. We have specifically focused on the sensitivity in the calculations and have made an independent evaluation of whether there is a risk that reasonably probable events would give rise to a situation where the value in use would be lower than the carrying amount. In order to assess the company's historical precision in its estimates and assessments we have also evaluated the company's historical estimates with actual amounts that were subsequently reported. We have as appropriate included valuation experts in the team performing our review. Finally, we have evaluated if disclosures provided in Note D1 ("Intangible assets") in the company's notes are appropriate, specifically with regards to the disclosure of which of the stated assumptions that are most sensitive in calculating the value in use and the sensitivity analysis for those key assumptions.



Revenue recognition and related sales incentives

Description	How our audit addressed this key audit matter
Revenue recognition and accounting for related sales incentives (bonuses and rebates) are areas with a greater degree of estimation and assessment. Incentives related to sales are reported as reduction of the company's revenue. We have noted that bonuses, rebates and other adjustments of sales prices in some cases can be material. Incentives can for example be structured as a percentage reduction of sales volumes, discounts per item, fixed amounts with or without thresholds or in other ways. The company calculates an estimate of final incentives based on the information available the end of the period. We have therefore assessed revenue recognition and related sales incentives to be a key audit matter.	In our audit we have reviewed the company's revenue recognition with focus on bonuses and rebates. We have evaluated the company's revenue process and tested the company's controls within the process. We have also on a sample basis reviewed the accrued costs related sales incentives (bonuses and rebates) to customers as of 31 December 2022 which amounted to 8.0 billion SEK to underlying customer agreements and performed a retrospective analysis of the accruals per 31 December 2022. Our audit has also included review of credit invoices and other adjustments to trade receivables that have taken place after 31 December 2022. We have also reviewed a sample of revenue recognition for non-standard customer agreements. In our audit we have tested larger payouts to the company's customers that have taken place during 2022 in order to confirm that they are in accordance with signed agreements and also accrued correctly in the accounting. Finally, we have audited manual journal entries related to bonus and rebates to confirm that sufficient documentation and suitable attestations exist for these entries.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3–7, 11–26 and 153–163. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

## Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Essity AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Revisorns ansvar

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## The auditor's examination of the ESEF report

### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Essity Aktiebolag (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Essity Aktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.



## The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 62–71 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

## The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 40–61 and 138–147, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Essity Aktiebolag (publ) by the general meeting of the shareholders on the 24 March 2022 and has been the company's auditor since the 27 May 2016.

Stockholm 28 February 2023  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

# Statutory sustainability report

The report includes requirements placed on sustainability reporting as stated in the Annual Accounts Act.

Disclosure	Page	Disclosure	Page
<b>General</b>		<b>Respect for human rights</b>	
Business model	15	Policy for human rights	51-52, 54, 61
<b>Environment</b>		Risks and risk management on human rights issues	40, 43, 51-52, 54
Policy on environmental issues	56-61	Targets and outcomes related to human rights issues	26, 138-139, 144-145
Risks and risk management on environmental issues	40, 46-48	<b>Anti-corruption</b>	
Targets and outcomes related to environmental issues	25-26, 139-144	Policy for work in anti-corruption	23, 61
<b>Social conditions</b>		Risks and risk management in anti-corruption	40, 42, 54-55
Policy on social issues	51-52, 61	Targets and outcomes related to anti-corruption	138-139
Risks and risk management on social issues	40, 43, 51-52, 54		
Targets and outcomes related to social issues	25-26, 138-139, 144-145		

## Index

Essity's 2022 Annual and Sustainability Report has been prepared in accordance with Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards, in addition to the Task-force on Climate related Financial Disclosures (TCFD) framework. The fol-

lowing index shows which indicators are reported and where the information can be found. The Sustainability Report in accordance with GRI Standards has been reviewed by Ernst & Young AB.

### TCFD Index

The following index shows where Essity provides information on climate-related risks and opportunities in accordance with the recommendations of the TCFD framework.

Disclosure	Page
<b>Governance</b>	
a) The Board's oversight of climate-related risks and opportunities	40, 46-48, 61-63
b) Management's role in assessing and managing climate-related risks and opportunities	40, 46-48, 61-63
<b>Strategy</b>	
a) Identified climate-related risks and opportunities	40, 46-48, 49
b) Impact of climate-related risks and opportunities on operations, strategy, and financial planning	40, 46-48
c) Resilience of strategy, taking into consideration different climate-related scenarios	40, 46-48
<b>Risk management</b>	
a) Processes for identifying and assessing climate-related risks	40, 46-48, 49
a) Processes for managing climate-related risks	40, 46-48
c) Integration of the aforementioned processes into the organization's overall risk management	40, 46-48, 61-63
<b>Metrics and targets</b>	
a) Metrics used to assess climate-related risks and opportunities	142- 144
b) Scope 1, Scope 2 and Scope 3 emissions under the Greenhouse Gas Protocol and related risks	46-48, 142-144
c) Targets used to manage climate-related risks and opportunities and performance against targets	25-26, 142-144

### SASB Index

Sustainability disclosure topics & accounting metrics

Code	Disclosure	Page
<b>Water management</b>		
CG-HP-140a.1	(1) Total water withdrawn, (2) total water consumed, (thousand m³), percentage of each in regions with High or Extremely High Baseline Water Stress	141
CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	141
<b>Product environmental, health, and safety performance</b>		
CG-HP-250a.1	Revenue from products that contain REACH substances of very high concern (SVHC) (SEK) <b>Comments:</b> Reporting does not include Essity's medical products as these are outside the scope of the SASB Standard for Household and Consumer Products. Products from Essity's companies with significant non-controlling interests are excluded.	140
CG-HP-250a.2	Revenue from products that contain substances on the California DTSC Candidate Chemicals List (SEK) <b>Comments:</b> Reporting does not include Essity's medical products as these are outside the scope of the SASB Standard for Household and Consumer Products. Products from Essity's companies with significant non-controlling interests are excluded.	140
CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern	53, 140
CG-HP-250a.4	Revenue from products designed with green chemistry principles <b>Comments:</b> Not reported.	-
<b>Packaging lifecycle management</b>		
CG-HP-410a.1	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	141-142
CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	141-142
<b>Environmental &amp; social impacts of palm oil supply chain</b>		
CG-HP-430a.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim <b>Comments:</b> In 2020, Essity sourced 1,274 tons of palm oil, of which 99.9% as c) mass-balance. Reported with a one-year delay.	-
CG-HP-000.A	Units of products sold, total weight of products sold (tons) <b>Comments:</b> In 2021, Essity sold 2.9 million tons of tissue products. The figure relates to companies that were wholly owned throughout the 2021 calendar year.	-
CG-HP-140a.2	Number of manufacturing facilities	138



# GRI index

Essity's reporting for the January 1, 2022 to December 31, 2022 period is in accordance with the GRI standards. GRI 1: Foundation 2021 was applied. No applicable GRI sector standard was available for Essity's industry. In 2022, the application of the new GRI standards – 1, 2 and 3 – resulted in a review of the materiality assessment of the GRI standards. In light of this, certain standards have been added or removed compared to the Annual and Sustainability Report for 2021.

## General Standard Disclosures

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
GRI 2 2021	2-1	Organizational details	81, 91	
	2-2	Entities included in the organization's sustainability reporting	120, 138	
	2-3	Reporting period, frequency and contact point	81, 138, 148, 164	
	2-4	Restatements of information	142–144	
	2-5	External assurance	62, 66, 149–152, 156	
	2-6	Activities, value chain and other business relationships	3, 28–33	<b>Omission:</b> 2-6 c and d <b>Reason:</b> Confidentiality limitations. <b>Explanation:</b> Essity does not report details on relevant business relationships.
	2-7	Employees	93, 144	<b>Omission:</b> 2-7 b <b>Reason/Explanation:</b> Information unavailable/incomplete.
	2-8	Workers who are not employees	–	<b>Omission:</b> 2-8 <b>Reason/Explanation:</b> Information unavailable/incomplete.
	2-9	Governance structure and composition	62–64, 68–69	
	2-10	Nomination and selection of the highest governance body	62–66	
	2-11	Chair of the highest governance body	68–69	<b>Omission:</b> 2-11 b and c <b>Reason/Explanation:</b> Not applicable.
	2-12	Role of the highest governance body in overseeing the management of impacts	62–66	
	2-13	Delegation of responsibility for managing impacts	46–48, 61	
	2-14	Role of the highest governance body in sustainability reporting	46–48, 61	
	2-15	Conflicts of interest	62–66	
	2-16	Communication of critical concerns	54, 138–139	
	2-17	Collective knowledge of the highest governance body	64–66	
	2-18	Evaluation of the performance of the highest governance body	64–66	
	2-19	Remuneration policies	101, 157–158	
	2-20	Process to determine remuneration	66	
	2-21	Annual total compensation ratio	144	<b>Omission:</b> 2-21 b and c <b>Reason/Explanation:</b> Information unavailable/incomplete.

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
GRI 2 2021	2-22	Statement on sustainable development strategy	6–7	
	2-23	Policy commitments	54, 62–64	
	2-24	Embedding policy commitments	54	
	2-25	Processes to remediate negative impacts	54, 138–139	
	2-26	Mechanisms for seeking advice and raising concerns	54, 138–139	
	2-27	Compliance with laws and regulations	138–139	
	2-28	Membership of associations	7, 52, 55, 163	
	2-29	Approach to stakeholder engagement	49	
	2-30	Collective bargaining agreements	145	

## GRI index

### Specific disclosures – GRI 200: Economy

All GRI topics not listed below have been deemed as not material for Essity.

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
<b>GRI 3: Material Topics 2021</b>				
	3-1	Process to determine material topics	49	
	3-2	List of material topics	49	
<b>Anti-corruption</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	54	
<b>Anticompetitive behavior</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 206: Anticompetitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	138–139	





GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
<b>Materials</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	141–142, 159	
	301-2	Recycled input materials used	141–142, 159	
<b>Energy</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	138, 143	
	302-3	Energy intensity	143	
<b>Water and Effluents</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	141	
	303-2	Management of water discharge-related impacts	141	
	303-3	Water withdrawal	141	<b>Omission:</b> 303-3 c <b>Reason/Explanation:</b> Information unavailable/incomplete.
	303-4	Water discharge	141	<b>Omission:</b> 303-4 b and c <b>Reason/Explanation:</b> Information unavailable/incomplete.
	303-5	Water consumption	141	
<b>Emissions</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	143–144	
	305-2	Energy indirect (Scope 2) GHG emissions	143–144	
	305-3	Other indirect (Scope 3) GHG emissions	143–144	
	305-5	Reduction of GHG emissions	143–144	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	143–144	
<b>Waste</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	141–142	
	306-2	Management of significant waste-related impacts	141–142	
	306-3	Waste generated	141–142	
	306-4	Waste diverted from disposal	141–142	
	306-5	Waste directed to disposal	141–142	

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
<b>Employment</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	144	<b>Omission:</b> 401-1 <b>Reason/Explanation:</b> Information unavailable/incomplete.
<b>Occupational Health and Safety</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	53, 145	
	403-2	Hazard identification, risk assessment, and incident investigation	53, 145	
	403-4	Worker participation, consultation, and communication on occupational health and safety	53	
	403-6	Promotion of worker health	53	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53, 145	
	403-9	Work-related injuries	145	
<b>Training and Education</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 404: Training and Education 2016	404-1	Average hours of training per year and employee	145	<b>Omission:</b> 404-1 <b>Reason/Explanation:</b> Information unavailable/incomplete.
	404-3	Percentage of employees receiving regular performance and career development reviews	145	<b>Omission:</b> 404-3 <b>Reason/Explanation:</b> Information unavailable/incomplete.
<b>Diversity and Equal Opportunity</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	68–69, 70–71, 144	<b>Omission:</b> 405-1 b <b>Reason/Explanation:</b> Information unavailable/incomplete.
	405-2	Ratio of basic salary and remuneration of women to men	144	<b>Omission:</b> 405-2 <b>Reason/Explanation:</b> Information unavailable/incomplete.
<b>Non-discrimination</b>				
GRI 3: Material Topics 2021	3-3	Management of material topics	61, 62–67	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	138–139	



## Auditor's report on the limited review and audit of the Sustainability Report of Essity Aktiebolag (publ)

This is the translation of the auditor's report in Swedish.

To Essity AB (publ), corp id 556325-5511

### Introduction

We have been engaged by the Board of Essity Aktiebolag (publ) to undertake a combined assurance engagement of the Sustainability Report for Essity Aktiebolag (publ) for the year 2022. The scope of the Sustainability Report has been defined on pages 154–155.

### Responsibilities of the Board and Executive Management for the Sustainability Report

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as defined on page 138, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the assurance procedures we have performed. Our engagement is limited to historical financial information and does therefore not include future oriented information.

We conducted our engagement in accordance with ISAE 3000 (revised) Assurance engagements other than audits or reviews of historical financial information. The engagement includes a limited assurance engagement on the complete Sustainability Report and audit on fossil fuels and grid supply data on pages 142–143. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for

the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. A limited assurance engagement is different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Essity Aktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The conclusion based on our limited assurance procedures does not provide the same level of assurance as the conclusion of our reasonable assurance procedures. Since this engagement is combined, our conclusions regarding reasonable assurance and limited assurance are presented separately below.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 28 February 2023  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

Outi Alestalo  
Expert member of FAR

# Remuneration report 2022

Essity Aktiebolag (publ)  
to be presented at the 2023 Annual General Meeting (AGM)

## Introduction

This report describes how the guidelines for remuneration of senior executives of Essity Aktiebolag (publ), as adopted by the 2022 AGM, were applied in 2022. The report also provides information about the remuneration of the President and the Executive Vice President and a summary of the company's variable remuneration programs and other benefits. The report has been prepared in accordance with the Swedish Companies Act and the Stock Market Self-Regulation Committee Remuneration Rules. More information about remuneration of senior executives is available in Note C (Employees) on pages 99–104 in the Annual and Sustainability Report for 2022. Information about the work of the Remuneration Committee in 2022 is presented in the Corporate Governance Report on pages 62–71 in the Annual and Sustainability Report for 2022.

The Board's remuneration is not covered in this report. Such remuneration is approved each year by the AGM and is reported in Note C3 on page 101 of the 2022 Annual Report.

## 1. Key events and key figures in 2022

The President summarizes the company's overall performance in his statement on pages 6–7 in the Annual and Sustainability Report for 2022.

## 2. The company's guidelines for remuneration of senior executives: purpose, scope and deviations

The remuneration guidelines, as unanimously adopted by the 2022 AGM, and the application of these are described in Note C2 on pages 99–101 of the Annual and Sustainability Report.

A prerequisite for the successful implementation of the company's business strategy and the protection of its long-term interests, including its sustainability, is that the company can recruit and retain qualified staff. To this end, the company must offer competitive and market-based remuneration and benefits.

According to the guidelines, total remuneration and benefits to senior executives, Total Reward, is to correspond to market practice and be competitive in the senior executive's field of profession. The remuneration is offered as fixed salary, variable remuneration, other benefits such as company car, pension and healthcare benefits.

The total remuneration is to be proportionate to the senior executive's position and authority and the responsibility this entails based on the financial scope and business impact, as well as market complexity. Total remuneration is decided on an individual basis at a level that, in combination with the various remuneration components, is considered to correspond to market practice and is competitive taking into account performance. For the President and the Executive Vice President, a market comparison is therefore conducted with Swedish global industrial companies.

Table 1 below shows the total remuneration of senior executives in 2022 and the relationship between fixed and variable remuneration. Remuneration was not received from other Group companies.

## 3. Variable remuneration

Variable remuneration is divided into short and long-term portions that are related to financial or non-financial targets. The criteria are designed to contribute to the company's business strategy and long-term interests, including its sustainability. The long-term incentive program was adopted by the AGM in 2022. The sustainability targets are primarily focused on the Science Based Targets Scope 1 and 2, which aim to reduce emissions of carbon dioxide in energy utilization and purchased electricity.

## 3.1 Short-term incentive program

The program aims to support the achievement of the company's strategic business targets in the short and long term. The program's target structure consists of organizational targets and performance targets.

The organizational targets are set at a high level in the organization, business unit or Group level, and are decided at Group level and apply for a large number of employees, while the performance targets are directly linked to responsibility within an individual role.

The organizational targets consist of financial targets at Group level or business area targets and comprise operating cash flow, sales growth and operating margin.

Performance targets are financial targets or business strategic non-financial targets. The performance targets are designed to be more closely linked to an individual role.

For the President and the Executive Vice President, organizational targets comprise the Group's adjusted operating margin, organic sales growth and operating cash flow. The performance targets for 2022 consisted of profit for the period (adjusted) and sustainability targets. The organizational targets account for 70% and the performance targets 30%. See table 2.

If the targets are met in full, short-term remuneration amounts to 50% of fixed cash salary for the President and the Executive Vice President. This remuneration is not pensionable income.

**Table 2. Outcome of the short-term program 2022 for the President and the Executive Vice President**

Name, position	Target	Target's relative value	Target outcome	Remuneration (SEK)
Magnus Groth President and CEO	<i>Organizational target</i>			
	EBITA margin (adjusted)	25%	8.36%	1,272,400
	Operating cash flow (adjusted <sup>1)</sup> )	17.5%	SEK 10.16bn	1,156,540
	Organic sales growth	27.5%	15.7%	2,268,800
	<i>Performance target</i>			
	Profit for the period (adjusted)	21%	SEK 8.3bn	1,588,760
Fredrik Rystedt Executive Vice President and CFO	<i>Organizational target</i>			
	EBITA margin (adjusted)	25%	8.36%	637,895
	Operating cash flow (adjusted <sup>1)</sup> )	17.5%	SEK 10.16bn	579,798
	Organic sales growth	27.5%	15.7%	1,137,400
	<i>Performance target</i>			
	Profit for the period (adjusted)	21%	SEK 8.3bn	796,500
	Science Based Targets, Scope 1 and 2	9%	-17.6%	742,500
	Science Based Targets, Scope 1 and 2	9%	-17.6%	372,236

1) Change in working capital is replaced with average calculated change in working capital during the year.

**Table 1. Total remuneration of the President and the Executive Vice President SEK**

Name, position	Fiscal year	Fixed remuneration		Variable remuneration <sup>1)</sup>		Extraordinary benefits	Pension costs	Total salary and remuneration	Proportion fixed and variable remuneration (%)
		Fixed salary	Other benefits and remuneration	Short-term remuneration <sup>2)</sup>	Long-term remuneration <sup>3)</sup>				
Magnus Groth President and CEO	2022	16,500,000	136,022	14,692,425	0	0	6,876,833	38,205,280	53/47
Fredrik Rystedt Executive Vice President and CFO	2022	8,271,900	60,106	7,365,713	0	0	2,589,336	18,287,055	53/47

1) Variable remuneration pertains to 2022 but is paid in 2023.

2) Short-term remuneration comprises remuneration paid out under STI and BIP.

3) Payment according to the long-term incentive program will be determined in 2025.

### 3.2 Short-term Bridge Incentive Program (BIP)

Essity has adopted a long-term incentive program to enable the company to recruit and retain key individuals and to promote the common interest of participants and shareholders in generating long-term returns, refer to section 3.3. BIP is a short-term incentive program that aims to ensure continuity of long-term incentive and that the common interest of the participants and shareholders is retained during the period the new LTI program is introduced. Consequently, compensation under the BIP-program may only be paid in 2022 and 2023, as compensation under the LTI-program will then not be payable. This is achieved through a requirement to invest and retain Essity shares. BIP consists of three goals: sales growth, profit before tax and a short-term goal for reduction in carbon emissions. The goals relating to sales growth and profit before tax each account for 40% and the goal relating to a reduction in carbon emissions accounts for 20%, see table 3.

At full outcome, short-term remuneration amounts to 50% of fixed salary for the President and the Executive Vice President. The variable remuneration from the BIP program is paid in cash. This remuneration is not pensionable income. Senior executives who participate in the program must purchase Essity shares for the amount disbursed after tax and the shares must not be sold until a holding period of three years has passed.

### 3.3 Long-term incentive program (LTI)

The aim of the long-term program is to promote the long-term positive earnings trend for the company and positive value appreciation for the company's shareholders. The program is a cash-based program and aims through share ownership to create commonality between participants and the company's shareholders and reward long-term value creation. The program is also an important remuneration component in attracting and retaining key employees. The program is approved by the Board and adopted by the general meeting for one year at a time and participants in one program are not automatically eligible to participate in future programs. The measurement period is three years. An invitation to take part in the program is sent during the first year of the measurement period. The degree to which the targets were met and any outcomes are determined at the end of the measurement period.

The long-term incentive program has two goals. The first is based on the performance of the company's Class B shares, measured as Total Shareholder Return (TSR). TSR comprises dividends, share price performance and other returns that are compared with the performance of weighted indexes that contain shares for a selection of competing companies in Essity's business areas of Consumer Goods, Health & Medical and Professional Hygiene during a three-year measurement period. Average TSR during the final quarter before the start of the measurement period is compared with average TSR during the final quarter of the measurement period.

Remuneration for this goal is disbursed if Essity's TSR is not less than the weighted TSR of the comparison group for the same period and maximum outcome is achieved if Essity's TSR exceeds the weighted TSR for the comparison group by at least five percentage points during the measurement period. The second goal is a relative goal for reduction in greenhouse gas emissions ("Sustainability target"). A prerequisite for disbursement is that the company reduces its greenhouse gas emissions during the measurement period by at least 7.5% compared with the base year of 2016. Full disbursement is made if the Sustainability target is achieved.

The TSR goal is weighted at 80% and the Sustainability target at 20% when deciding on the outcome of the program. The company pays any outcome as cash remuneration, and the maximum outcome may amount to 80% of the fixed cash salary for the senior executive. The maximum compensation for the President and the Executive Vice President is 50% of the fixed salary. Resulting remuneration is not pensionable income. Within a specified period, the senior executive must acquire Essity shares for the full amount of remuneration received, after deduction of income tax. If trading restrictions are in place, due to insider information, the acquisition must take place as soon as possible thereafter. The senior executive must then not divest the shares acquired within the framework of the program until the shares have been retained for at least three years from the date of purchase.

If a participant resigns before the end of the measurement period, entitlement to remuneration under the program is relinquished. The outcome of the program is paid as cash remuneration to the senior executive, which means the program has no dilution effect or similar impact for shareholders and, as stated above, there is a ceiling for the maximum outcome. The next occasion for outcome assessment will be in 2025 for the 2022–2024 program.

### 4. Pension benefits

Pension benefits for senior executives shall be contribution-defined in accordance with the remuneration guidelines and limited to at most 40% of fixed salary with the exception of pension agreements signed before 2020.

For the President and the Executive Vice President, pension benefits are defined contribution with a premium of 40% of fixed cash salary in addition to the premium expenses for basic pension benefits in the ITP plan with retirement pension benefits limited to a maximum salary income of 7.5 income base amounts.

### 5. Other benefits

Other benefits refers to company cars, luncheon vouchers and medical insurance.

### 6. Deviations and audit

No deviations from the guidelines took place and no exemptions from implementing the remuneration guidelines were made. The auditor's report on the company's compliance with the guidelines is available on the company's website<sup>1)</sup>.

No remuneration was refunded.

### 7. Comparative information between remuneration and performance

Comparative information about changes in total remuneration of senior executives and average remuneration per full-time employee in the Parent Company and the company's performance results, is provided under Table 4.

The former SCA Group was split in 2017 into the forest products company SCA and the hygiene products company Essity, which is why comparative information is not reported before 2018.

Board of Directors, February 16, 2023

1) [www.essity.com](http://www.essity.com)

**Table 3. Outcome of the Bridge Incentive Program 2022 for the President and the Executive Vice President**

Name, position	Target	Target's relative value	Target outcome (%)	Remuneration (SEK)
<b>Magnus Groth</b> President and CEO	Profit before tax (adjusted)	40%	SEK 10.57bn	2,713,425
	Organic sales growth	40%	15.7%	3,300,000
	Science Based Targets, Scope 1 and 2	20%	-3.4%	1,650,000
<b>Fredrik Rystedt</b> Executive Vice President and CFO	Profit before tax (adjusted)	40%	SEK 10.57bn	1,360,314
	Organic sales growth	40%	15.7%	1,654,380
	Science Based Targets, Scope 1 and 2	20%	-3.4%	827,190

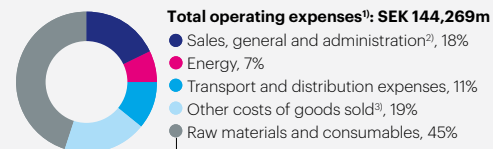
**Table 4. Change in Total remuneration<sup>1)</sup> and the company's performance in recent fiscal years**

Name, position	Total remuneration <sup>1)</sup> in 2022 (SEKm)	Year-on-year change – 2022/2021		Year-on-year change – 2021/2020		Year-on-year change – 2020/2019		Year-on-year change – 2019/2018	
		SEKm	(%)	SEKm	(%)	SEKm	(%)	SEKm	(%)
<b>Magnus Groth</b> President and CEO	38.2	14.7	62%	-3.6	-13%	-6.4	-19%	7.6	29%
<b>Fredrik Rystedt</b> Executive Vice President and CFO	18.3	7.4	67%	-1.8	-14%	-3.4	-21%	2.4	17%
Average remuneration per employee (converted to full-time equivalents) in Essity Aktiebolag (publ). Remuneration of senior executives is excluded.	1.6	0.2	14%	-0.2	-12%	-0.2	-9%	0.3	18%
Company's performance – Profit for the period (adjusted)	8,327	-1,036	-11%	-2,442	-21%	1,039	10%	1,210	13%

1) Total remuneration comprises fixed salary, short and long-term variable remuneration, pension costs and other benefits.

# Description of costs

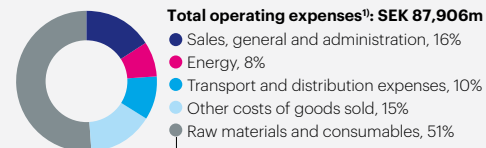
## Group



### Of which

Pulp	17%
Recovered paper	4%
Non-woven	3%
Super absorbents	2%
Other <sup>4)</sup>	19%
<b>Total raw materials and consumables</b>	<b>45%</b>

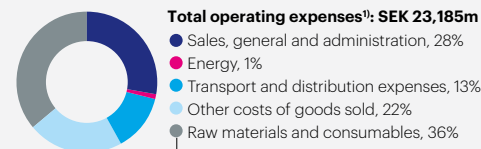
## Consumer Goods



### Of which

Pulp	23%
Recovered paper	3%
Non-woven	3%
Super absorbents	2%
Other	20%
<b>Total raw materials and consumables</b>	<b>51%</b>

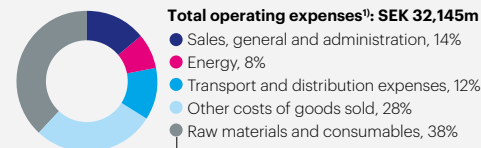
## Health & Medical



### Of which

Pulp	8%
Non-woven	7%
Super absorbents	4%
Other	17%
<b>Total raw materials and consumables</b>	<b>36%</b>

## Professional Hygiene



### Of which

Recovered paper	10%
Pulp	9%
Other	19%
<b>Total raw materials and consumables</b>	<b>38%</b>

- 1) Excluding items affecting comparability.
- 2) Sales, general and administration include costs for marketing of 5 percentage points.
- 3) The two largest items of Other costs of goods sold comprise personnel (9 percentage points) and depreciation/amortization (4 percentage points).
- 4) The item Other in Raw materials and consumables includes costs for chemicals, packaging material and plastic material.

# Raw materials

## Pulp consumption



### 3.3 million tons

Essity's own pulp production corresponded to 6% of the pulp consumption and is primarily related to an integrated tissue plant in Mannheim, Germany.

## Recovered paper consumption



### 1.9 million tons



# Production facilities<sup>1)</sup>

(Capacity is stated in thousands of tons, unless otherwise indicated, and per year)

Production facility	Country/Region	Tissue capacity	Production facility	Country/Region	Tissue capacity	Production facility	Country/Region	Tissue capacity
Buenos Aires	Argentina		Vibraye	France		Pinetown	South Africa	
Springvale	Australia		Emmerich	Germany		Allo	Spain	120
Ortmann	Austria	132	Hausbruch	Germany		Telde	Spain	
Stembert	Belgium	75	Kostheim	Germany	152	Valls	Spain	137
Jarinu	Brazil		Mannheim	Germany	283	Askersund	Sweden	
Drummondville	Canada		Neuss	Germany	112	Falkenberg	Sweden	
Santiago	Chile	28	Witzenhausen	Germany	32	Lilla Edet	Sweden	100
Beijing	China	30	Goa	India		Mölnlycke	Sweden	
Guangdong	China	540	Altopascio	Italy	25	Kao Hsiung	Taiwan	
Hubei	China	335	Collodi	Italy	42	Kartepe	Turkey	
Liaoning	China	55	Lucca	Italy	100	Manchester	UK	50
Shandong	China	110	Amman	Jordan		Oakenholt	UK	70
Sichuan	China	75	Selangor	Malaysia		Prudhoe	UK	94
Zhejiang	China	245	Ecatepec	Mexico		Skelmersdale	UK	
Cajica	Colombia	70	Monterrey	Mexico	67	Stubbins	UK	55
Cali	Colombia		Reynosa	Mexico		Tawd Mill	UK	30
Caloto	Colombia		Sahagun	Mexico	95	Barton	USA	180
Medellin	Colombia	30	Uruapan	Mexico	40	Bordentown	USA	
Rio Negro	Colombia		Assen	Netherlands		Bowling Green	USA	
San Cristobal	Dominican Republic		Cuijk	Netherlands	52	Connecticut	USA	
Inpaecsa	Ecuador	15	Gennep	Netherlands		Greenwich	USA	
Lasso	Ecuador	26	Hoogezand	Netherlands		Harrodsburg	USA	55
Cairo	Egypt		Suameer <sup>2)</sup>	Netherlands	9	Menasha	USA	211
Fiji	Fiji Islands		Kawerau	New Zealand	60	Middletown	USA	100
Nokia	Finland	42	Karachi	Pakistan		Neenah	USA	
Gien	France	145	Olawa	Poland		South Glens Falls	USA	64
Hondouville	France	55	Sovetsk	Russia	91	<b>Total</b>		<b>4,616</b>
Kunheim	France	52	Svetogorsk	Russia	65			
Le Theil	France	65	Veniov	Russia				
Radiante	France		Gemerská Hôrka	Slovakia				

1) As of December 31, 2022.

2) Non-woven production.

# Financial multi-year summary

SEKm	2022	2021	2020	2019	2018	2017	2016	2015
<b>INCOME STATEMENT</b>								
<b>Net sales</b>	<b>156,173</b>	<b>121,867</b>	<b>121,752</b>	<b>128,975</b>	<b>118,500</b>	<b>109,265</b>	<b>101,238</b>	<b>98,519</b>
<b>Adjusted EBITA</b>	<b>13,058</b>	<b>13,680</b>	<b>17,626</b>	<b>15,840</b>	<b>12,935</b>	<b>13,405</b>	<b>11,992</b>	<b>10,603</b>
Health & Medical	2,903	3,821 <sup>1)</sup>	3,668 <sup>1)</sup>	3,734 <sup>1)</sup>				
Consumer Goods	7,211	7,938 <sup>1)</sup>	11,538 <sup>1)</sup>	8,333 <sup>1)</sup>				
Professional Hygiene	3,998	2,710	3,317	4,463				
Other operations	-1,054	-789	-897	-690	-591	-620	-577	-737
Items affecting comparability	-2,171	371	-59	-713	-1,375	-855	-2,645	-292
<b>EBITA</b>	<b>10,887</b>	<b>14,051</b>	<b>17,567</b>	<b>15,127</b>	<b>11,560</b>	<b>12,550</b>	<b>9,347</b>	<b>10,311<sup>2)</sup></b>
Amortization of acquisition-related intangible assets	-1,116	-852	-809	-778	-732	-560	-159	-133
Items affecting comparability	-292	0	0	0	-69	-85	-180	-494
<b>Operating profit</b>	<b>9,479</b>	<b>13,199</b>	<b>16,758</b>	<b>14,349</b>	<b>10,759</b>	<b>11,905</b>	<b>9,008</b>	<b>9,684</b>
Financial income	173	102	108	106	91	158	202	312 <sup>3)</sup>
Financial expenses	-1,543	-764	-1,066	-1,415	-1,248	-1,340	-1,037	-1,140
<b>Profit before tax</b>	<b>8,109</b>	<b>12,537</b>	<b>15,800</b>	<b>13,040</b>	<b>9,602</b>	<b>10,723</b>	<b>8,173</b>	<b>8,856</b>
Income taxes	-2,045	-2,727	-4,053	-2,828	-1,050	-1,938	-3,931	-2,278
<b>Profit for the period</b>	<b>6,064</b>	<b>9,810</b>	<b>11,747</b>	<b>10,212</b>	<b>8,552</b>	<b>8,785</b>	<b>4,242</b>	<b>6,578</b>
<b>BALANCE SHEET</b>								
Non-current assets (excluding financial receivables)	137,492	122,196	107,974	116,779	110,370	105,398	77,238	67,483
Receivables and inventories	61,791	45,949	37,141	38,486	38,646	34,664	29,917	29,171
Non-current assets held for sale	0	0	0	42	69	42	156	120
Financial receivables	2,088	1,851	3,555	3,535	1,751	1,700	1,052	766
Current financial assets	4,941	1,150	993	525	422	1,105	1,677	12,983
Cash and cash equivalents	4,288	3,904	4,982	2,928	3,008	4,107	4,244	4,828
<b>Total assets</b>	<b>210,600</b>	<b>175,050</b>	<b>154,645</b>	<b>162,295</b>	<b>154,266</b>	<b>147,016</b>	<b>114,284</b>	<b>115,351</b>
Equity	67,346	59,874	54,352	54,125	47,141	42,289	33,204	42,986
Non-controlling interests	9,218	8,633	8,990	8,676	7,758	7,281	6,376	5,289
Provisions	13,097	12,855	12,671	14,017	15,696	14,659	11,961	8,450
Interest-bearing debt	71,515	58,189	46,890	52,062	54,327	54,838	36,873	34,717
Operating and other non-interest bearing liabilities	49,424	35,499	31,742	33,415	29,344	27,949	25,870	23,909
<b>Total equity and liabilities</b>	<b>210,600</b>	<b>175,050</b>	<b>154,645</b>	<b>162,295</b>	<b>154,266</b>	<b>147,016</b>	<b>114,284</b>	<b>115,351</b>
Average capital employed	135,046	114,163	112,473	114,663	107,575	90,167	73,145	70,115
Net debt, including pension liabilities	62,869	55,433	42,688	50,940	54,404	52,467	35,173	19,058

1) Essity has decided on new business areas which, as of January 1, 2022, consist of Health & Medical, Consumer Goods and Professional Hygiene, see Note B2 on page 89. Comparative figures for the new Health & Medical and Consumer Goods business areas have been restated from 2019.

2) 2015 includes the sale of securities, SEK 970m.

3) 2015 does not include the sale of securities, SEK 970m.

## Financial multi-year summary, cont.

SEKm	2022	2021	2020	2019	2018	2017	2016	2015
<b>OPERATING CASH FLOW STATEMENT</b>								
Operating cash flow	9,167	11,118	16,018	15,639	9,900	10,622	10,998	8,261
Cash flow from current operations	5,380	6,894	11,175	13,208	6,363	6,644	6,530	5,371
Cash flow before transactions with shareholders	425	-4,906	10,795	13,285	5,737	-19,372	359	5,328
Investments in non-current assets, net	-6,875	-7,304	-6,439	-5,707	-6,781	-6,012	-6,255	-5,472
Acquisitions of Group companies and other operations	-4,955	-11,813	-747	-143	-694	-26,045	-6,540	-92
Divestments of Group companies and other operations	-	13	367	220	68	29	369	49
<b>KEY FIGURES</b>								
Equity/assets ratio, %	32	34	35	33	31	29	29	37
Interest coverage ratio	6.9	19.9	17.5	11.0	9.3	10.1	10.8	11.7
Debt payment capacity, including pension liabilities, %	26	29	46	38	25	26	29	65
Debt/equity ratio, including pension liabilities	0.82	0.81	0.67	0.81	0.99	1.06	0.89	0.39
Debt/equity ratio, excluding pension liabilities	0.81	0.77	0.63	0.76	0.92	0.99	0.76	0.34
Return on capital employed, %	8.1	12.3	15.6	13.2	10.8	13.9	12.8	13.8
Adjusted return on capital employed, %	9.7	12.0	15.7	13.8	12.0	14.9	16.4	15.1
Return on equity, %	8.1	15.0	18.2	17.4	16.1	19.8	9.3	13.9
EBITA margin, %	7.0	11.5	14.4	11.7	9.8	11.5	9.2	10.5
Adjusted EBITA margin, %	8.4	11.2	14.5	12.3	10.9	12.3	11.8	10.8
Operating margin, %	6.1	10.8	13.8	11.1	9.1	10.9	8.9	9.8
Adjusted operating margin, %	7.6	10.5	13.8	11.7	10.3	11.8	11.7	10.6
Net margin, %	3.9	8.1	9.7	7.9	7.2	8.0	4.2	6.7
Capital turnover rate	1.16	1.07	1.08	1.12	1.1	1.21	1.38	1.41
Cash flow from current operations per share, SEK	7.66	9.82	15.91	18.81	9.06	9.46	9.30	7.65
Earnings per share, SEK	7.93	12.27	14.56	13.12	11.23	11.56	5.41	8.73
Dividend per share, SEK	7.25 <sup>4)</sup>	7.00	6.75	6.25	5.75	5.75		

4) Board of Directors' dividend proposal.

# Follow Essity!

Essity reaches people around the world with leading hygiene and health solutions, training initiatives and communication. Active and long-term communication efforts and dialogue are important to increase awareness of hygiene and health and contribute to a more healthy and sustainable world.



Hygiene, health and well-being are about more than products and services. Driving change needs training and the dissemination of knowledge. Essity conducts regular surveys that provide key insights. In 2022, the Hygiene and Health Survey was presented for the 15th year. The survey is based on data from 15 countries and shows that several of the challenges faced by the world are related to hygiene and health.

Through partnership with UNICEF in Mexico, the United Nations Foundation and the Global Handwashing Partnership, among other organizations, we can reach and make a difference to more people. The partnership with UNICEF in Mexico started in 2019 and has reached millions of children and young adults with information and education about hand hygiene and menstruation.

Together with the United Nations Foundation, Essity is part of a global expert group on antimicrobial resistance (AMR). The partnership also aims to inspire customers and partners to increase focus on the Sustainable Development Goals. In 2022, the partnership was widened to include the #EqualEverywhere campaign, which promotes equality and greater opportunities for girls and women around the world.

Breaking barriers to well-being is a continuous work in progress. Through our communication, Essity wants to inspire, share knowledge, break barriers and encourage more individuals and organizations to make a contribution. We actively share content in social media concerning innovations, sustainability initiatives, brands and what it is like to work for us.

Follow Essity on LinkedIn, Facebook or Twitter or read more at [www.essity.com](http://www.essity.com).



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# Breaking Barriers to Well-being

Essity is a leading global hygiene and health company. We are dedicated to improving well-being through our products and services. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands, such as Actimove, JOBST, Knix, Leukoplast, Libero, Libresse, Lotus, Modibodi, Nosotras, Saba, Tempo, TOM Organic, Vinda and Zewa. Essity has about 48,000 employees. Net sales in 2022 amounted to approximately SEK 156bn (EUR 15bn). The company's headquarters is located in Stockholm, Sweden, and Essity is listed on Nasdaq Stockholm. Essity breaks barriers to well-being and contributes to a healthy, sustainable and circular society.

› For more information, visit [www.essity.com](https://www.essity.com)

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